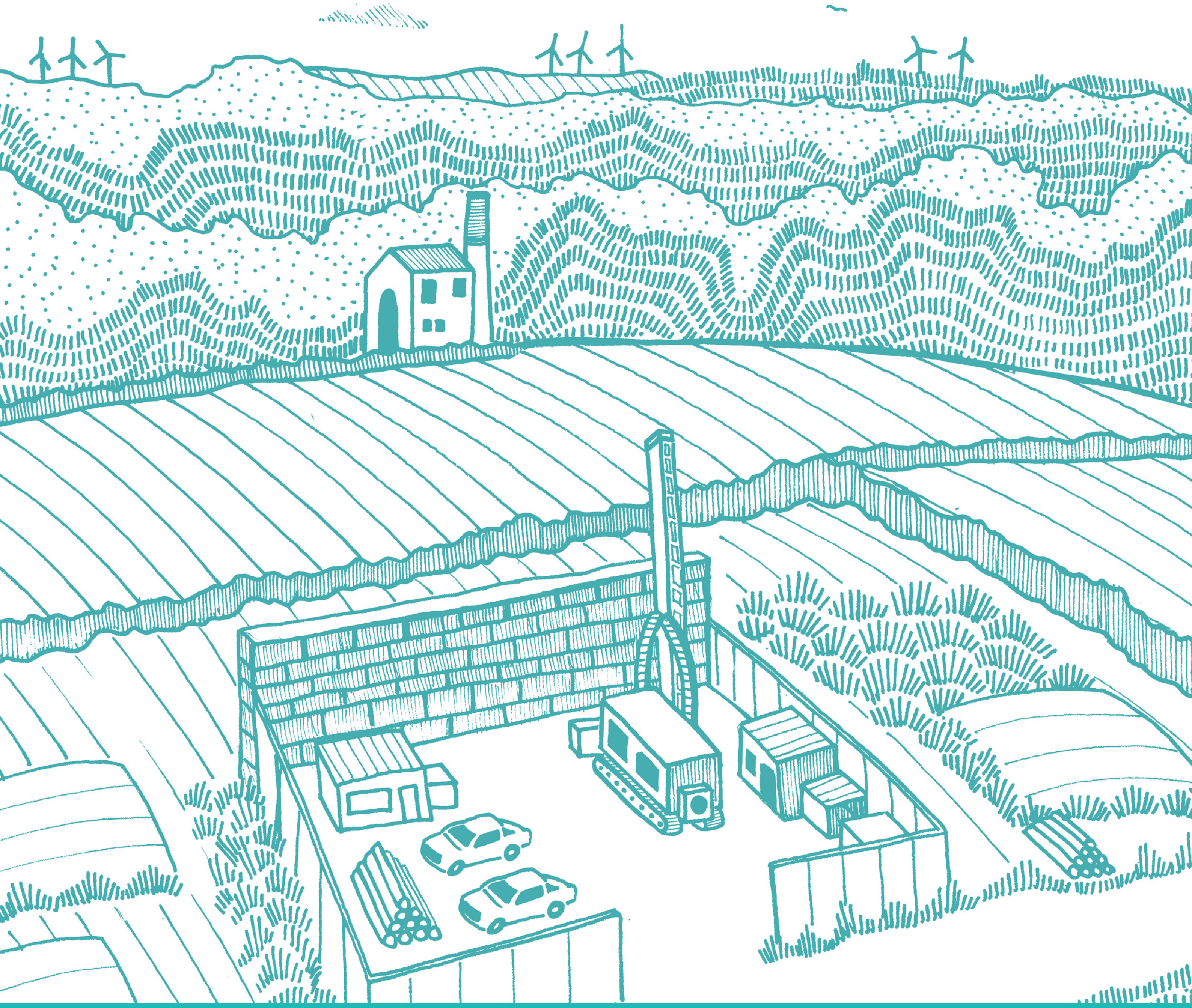
Cornish Lithium



CORNISH LITHIUM PLC

ANNUAL REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

Company Number 10205021

COMPANY INFORMATION

DIRECTORS	I D Cockerill	(Non-Executive Chairman – resigned 24 February 2024)
	J B E Wrathall	(Chief Executive Officer & Interim Chairman)
	V B Gokool	(Chief Financial Officer)
	J Blas	(Non-Executive Director)
	S Gardner-Bond	(Non-Executive Director)
	A J Howard	(Non-Executive Director – appointed 30 November 2023)
	K S Liddell	(Non-Executive Director – resigned 8 June 2023, reappointed 28 February 2024)
	D Linfield	(Non-Executive Director – resigned 30 November 2023)
	J Raymond	(Non-Executive Director – appointed 30 November 2023)
	D J Castle*	(Non-Executive Director – appointed 14 September 2023)
	J R Whiteside*	(Non-Executive Director – appointed 30 November 2023)
COMPANY SECRETARY	Q Hussain	
REGISTERED NUMBER	10205021	
REGISTERED OFFICE	Tremough Innovation Centre Penryn Cornwall TR10 9TA	
INDEPENDENT AUDITOR	PKF Francis Clark Lowin House Tregolls Road Truro Cornwall TR1 2NA	

* D J Castle and J R Whiteside are alternate directors for S Gardner-Bond and A J Howard respectively. Alternate directors are appointed under the Company's Articles of Association and solely act as substitutes for principal directors should the principal director be unavailable to attend a Board meeting.

Cornish Lithium

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CHAIRMAN & CHIEF EXECUTIVE OFFICER'S STATEMENT

Cornish Lithium made tremendous progress in 2023, which culminated in securing the transformational funding package announced in August from the UK Infrastructure Bank (UKIB), and the Energy & Minerals Group (EMG) together with our first institutional shareholder TechMet. Amidst the challenging capital market conditions that prevailed throughout the year, securing such a significant funding package from investors capable of backing Cornish Lithium through to first production provided a game-changing validation of the Company's potential.

I would like to start by thanking Ian Cockerill, my predecessor as Chairman, for his guidance and corporate oversight during the year. Ian stepped down from the Board as Independent Chairman and as a Director in February 2024 following his full-time appointment as Chief Executive Officer and Executive Director of Endeavour Mining plc. Cornish Lithium benefitted from Ian's significant experience and leadership during his time as Chairman and we are extremely grateful to him. During his tenure, we have made significant progress in developing our portfolio of projects and secured the landmark financing package referred to earlier. The Board wishes Ian every success with his new role at Endeavour Mining.

We have also achieved a number of significant operational milestones and developmental breakthroughs since the start of 2023, many of which are discussed in more detail below. These developments have been key to our success as we progress towards commercial production. Cornish Lithium remains focused on developing a secure and responsible domestic supply of lithium to progress the development of a battery industry in the UK, thus supporting the electrification of the UK's automotive sector and the overall UK transition to Net Zero. A domestic source of lithium is of vital importance, given increasingly fractured supply chains caused by geopolitical tensions across the world. Developing a domestic lithium supply chain not only brings security of supply but also generates economic value for the Cornish economy and long-term careers in the county, and the wider UK.

The electrification of the UK's automotive industry is starting to gain momentum with the news that Agratas, a Tata Group company, plans to build a battery gigafactory at Bridgwater in Somerset to supply JLR as well as other automotive OEMs (Original Equipment Manufacturers). This is in addition to Nissan's planned £2bn investment in its electric vehicle facilities in Sunderland. Cornish Lithium is well placed to become an integral part of the domestic battery supply chain, supporting the UK economy and creating new jobs in Cornwall.

LANDMARK FUNDING SECURED

On 8 August 2023, Cornish Lithium announced a US$67m (£53.6m) initial investment from a group of leading institutional investors led by UKIB alongside EMG and TechMet.

In its first direct equity investment, UKIB committed to invest approximately £24.0m (US$30m equivalent) into the development of the UK's critical minerals supply chain with EMG, a US-based private equity fund which is focused on the energy and minerals sectors, which also committed to invest around £24.0m (US$30m equivalent). Cornish Lithium's largest existing institutional shareholder, TechMet, the critical minerals investment company, whose major backers include the US Government's Development Finance Corporation (DFC), committed to invest a further US$7m (£5.6m), bringing its total investment into Cornish Lithium to US$30m.

This funding is enabling us to progress our Trelavour Hard Rock Project towards construction as well as complete the engineering design work required to build a demonstration-scale geothermal waters extraction facility. These project milestones are expected to generate significant value for all shareholders and create substantial benefits for the local community.

Crucially, the initial investment is part of a potential larger second-stage funding package of up to an additional US$210m (c.£168.0m), which is expected to provide the equity foundation necessary to achieve commercial production at Trelavour.

Following shareholder approval of this institutional funding package, we launched a retail share offer via Crowdcube's crowdfunding platform, which raised a further £5.1m. Existing shareholders received priority access to this financing round, and invested a milestone £1m in just 27 minutes. This was not only one of the largest crowdfunds undertaken in the UK during 2023, but also the largest on Crowdcube by a B2B business in that year.

CORNISH LITHIUM AND CORNWALL RECOGNISED AT MAJOR INTERNATIONAL MINING INDUSTRY AWARDS

In December 2023 at the Resourcing Tomorrow Outstanding Achievement Awards held in London, Cornish Lithium was announced as the winner of the "Exploration Discovery of the Year" award for its discovery of extensive lithium-enriched brines beneath the surface of Cornwall.

The event honoured industry leaders and companies with 15 awards that showcased outstanding achievements in every aspect of the international mining industry.

Cornwall was also declared "Best Region" in the Most Improved Mining Jurisdiction category in recognition of the revival of its mining fortunes, as a result of Cornish Lithium and Cornish Metals securing significant investment to advance their exciting mineral extraction projects.

GEOTHERMAL

2023 started positively with the completion and testing of our exploration borehole at Cross Lanes Farm (formerly referred to as the Twelveheads Project). The borehole was drilled to a depth of 1,974m (metres) and encountered four permeable zones, each containing geothermal water with an average lithium content of c.100ppm (parts per million) lithium at the final target depth. Importantly, the Cross Lanes borehole also validated the opportunity to extract significant heat from the water at this depth as the temperature at the end of the borehole was 72°C. This carbon-free heat could potentially be used by local businesses such as dairies, breweries and agricultural greenhouses. The potential use of geothermal heat for domestic heating is also an area of growing importance across the UK.

Following the successful completion of the borehole at Cross Lanes Farm, drilling operations were undertaken at Blackwater. This borehole was completed at the end of August with the well reaching a depth of c.1,800m. Testing of the well commenced in early September, initially with wireline logging of the hole, followed by an airlift test. A series of pump tests were also undertaken to test the zones of permeability encountered whilst drilling the well. Following the completion of the test work at Blackwater, commercial concentrations of lithium were confirmed and the water chemistry was found to be in keeping with that seen at previous exploration sites in Cornwall. However, whilst encouraging levels of permeability were encountered, the flow rates were lower than the high flow rates encountered at Cross Lanes Farm.

As a result, in early 2024, the decision was made to locate a processing plant at Cross Lanes Farm. A planning application process is now underway to allow for the drilling of two production-diameter boreholes and the construction of a lithium production plant at this site. This plant will initially be constructed at demonstration scale, with the ability for further equipment to be added to create a commercial plant following the successful operation at the demonstration-scale plant. The engineering firm, RSE Shears, has been appointed to undertake the relevant studies for the processing plant and to liaise with the extraction technology provider, once selected. A programme of community engagement to support our planning application has commenced.

Drilling of a geothermal borehole at Trelavour commenced in November 2023. The hole was drilled to a depth of 1,200m and achieved its aim of collecting geological data to augment Cornish Lithium's subsurface model in the area.

At the end of May, we commenced the drilling of our latest exploration borehole at Tolgus near Redruth, having secured planning permission to do so. Although currently still in the early stages of development, drilling has gone well so far, with the well expected to be completed in the Autumn.

We are continuing to evaluate the optimal processing flow sheet for extracting lithium from Cornish geothermal waters and are working with a number of possible technology partners across the world. Following the conclusion of testing of SENFI-UK's, a subsidiary of SCG, Direct Lithium Extraction (DLE) technology in mid-2023, the United Downs Pilot Plant was prepared for the installation of Koch Technology Solution's ('KTS') DLE pilot plant. The KTS pilot plant was tested using geothermal water produced from the borehole at Cross Lanes. The work programme utilising KTS' DLE technology was completed in early 2024 with further optimisation work to be undertaken.

Additionally, off-site processing test work has continued with a number of technology providers, which has generated very positive results. This work has continued into 2024, which includes testing technologies such as nanofiltration and vacuum membrane distillation, to evaluate the potential of their respective processing technologies.

HARD ROCK

The team at Trelavour made excellent progress on its latest resource evaluation drilling campaign, which ended in September with over 14,000m of drilling completed. Mining Plus UK Ltd has been appointed to compile the updated JORC Resource and maiden Ore Reserve Estimate. Mining Plus compiled the Maiden Resource statement for the Trelavour Project and is a leading mining technical services provider. The updated Resource is expected to be published in due course as part of the project's overall Feasibility Study. The Resource update is being partly funded by a grant from the UK Government's Automotive Transformation Fund (ATF) delivered in partnership between Innovate UK and the Advanced Propulsion Centre (APC).

Tremendous progress has been made with the construction of the Demonstration Plant at the Trelavour Hard Rock Project.

The £9m Demonstration Plant comprises a concentrator section, which produces a lithium-enriched mica concentrate and a hydrometallurgical section that will produce battery-grade lithium hydroxide using the "LOH Max®" technology, licensed from Australian company Lepidico. This technology was selected based on its low carbon emissions, environmental benefits and its ability to deliver superior product quality lithium hydroxide from lithium-bearing mica concentrates. The process operates at atmospheric pressure and modest temperature, importantly with no requirement for roasting.

The hydrometallurgical section of the Trelavour Demonstration Plant has been partially funded via a grant from the UK Government via the Automotive Transformation Fund Scale up Readiness Validation programme. The process design package was provided by Strategic Metallurgy and the plant has been engineered and built on a series of 'skids' by Ai Process Systems Limited, a company based in Lancashire, UK. Process control systems are provided by Rockwell Automation. We are working with Galliford Try and Sepor on the concentrator elements of the Demonstration Plant.

Commissioning of the entire plant is on track to be completed in July 2024 and key information on the hydrometallurgical section of the plant is as follows:

- The Demonstration Plant will be the first continuous process testing of the low-carbon emission Lepidico LOH Max® technology for the extraction of lithium from micas
- The Plant is planned to initially operate for 3,600 hours spread across 15 separate continuous campaigns
- During these campaigns, the hydrometallurgical plant will process 15kg of mica concentrate per hour and produce in excess of three tonnes of lithium hydroxide overall during the process campaigns
- An on-site 'state of the art' laboratory has been built to confirm efficacy and efficiency of the plant
- The plant will enable training of team members to aid the transition towards full-scale commercial production
- A dedicated Visitor Centre has been built so that the facility can be viewed by all stakeholders, including the community, many of whom have already been welcomed for visits
- We have hired an additional 21 employees in 2024 to built and operate the plant with a further two roles remaining to be filled.

The development of the Demonstration Plant has greatly added to the process engineering and design, and will inform decisions that will need to be made for the design and construction of a full-scale commercial plant. The plant will provide key operational data to support the Trelavour Project Feasibility Study that is being conducted for Cornish Lithium by Ausenco Pty Ltd. who were appointed at the end of 2023 following the completion of a formal tender process. Ausenco is a global engineering consulting firm with teams based across 26 offices in 15 countries –including team members based in Cornwall – with completed projects in over 80 locations worldwide. Work has now commenced on the Feasibility Study, which is expected to be published in early 2025.

In addition to progress on the Demonstration Plant, construction of the ancillary facilities, such as a laboratory, Visitors' Centre and welfare units, is now mostly complete with the construction of the visitor parking area due to be completed shortly.

SUSTAINABILITY

Developing a responsible source of lithium, produced by utilising the most environmentally sustainable technologies, is a cornerstone of Cornish Lithium's strategy. The successful development of our projects will generate significant benefits for the communities in which we operate, in Cornwall and in the UK. We will shortly be publishing our third annual Sustainability Report, which will build on the achievements outlined last year. I am also pleased to say that our Sustainability Report will, for the first time, report the Company's Scope 1 and 2 carbon emissions alongside other foundational sustainability metrics.

The Sustainability Report will set out our key priorities for 2024. These are to:

- Further develop the Company's ESG (Environmental, Social and Governance) policy
- Further develop and formalise our ESG strategy
- Enhance data capture and assessment to improve performance tracking and enable external reporting of key ESG metrics
- Deliver relevant planning and permitting consents for the planned Cross Lanes Demonstration Plant
- Finalise and implement an Environmental and Social Management System
- Finalise updates to our Procurement Policy to promote transparency and accountability in our supply chain; outline expectations for suppliers and establish metrics for tracking progress
- Continue to build overarching Sustainability Risk Management Strategy
- Ongoing assessment of climate-related risks and emissions in order to develop a climate strategy roadmap and associated future reporting
- Consider the adoption of internationally accepted sustainability reporting standards and frameworks.

During 2023 our ESG team was strengthened through the appointment of an ESG Manager, Site Environmental Officer and Stakeholder Engagement Coordinator for our Trelavour Hard Rock Project. These appointments were important additions to the team at Trelavour as we commenced the Environmental and Social Impact assessment for the project, which will be a key component of the Feasibility Study. On the geothermal side of the business our ESG team has played an integral role in achieving timely consents to facilitate the drilling of new exploration wells. For both projects we have maintained an active community engagement programme orchestrated by our ESG teams.

Cornish Lithium has continued to support local groups during 2023 and into 2024 through the Cornwall Community Foundation which we established in 2022 the Cornish Lithium Community Fund in collaboration with the Cornwall Community Foundation. Our aim is to award funding to community projects that will enhance skills and education, upgrade social welfare facilities, celebrate industrial heritage and mining history, improve environmental impacts or promote health and wellbeing in the Gwennap, Chacewater, Blackwater, St Day, Carharrack and China Clay areas. The most recent grants from this fund were made to the following organisations:

- The Observatory for Cornwall
- Penhaligon's Friends
- St Stephen's Community Centre
- Sunny Days Nursery and Preschool
- St Agnes Walking Netball Club
- St Dennis Art Group
- Lanner Village Hall
- Cusgarne and Frogpool Women's Institute
- Treviscoe Institute and Community Centre
- Bugle Library of Things
- Friends of Cusgarne Primary School
- I.C.E (Improving Carharrack's Environment)
- Roche Preschool Playgroup.

In addition to the grants we have awarded through this fund, we have also continued our work with a number of local charities that align with our sustainability strategy, including the Cornwall Wildlife Trust, the Cornwall Heritage Trust and the Cornish Seal Sanctuary.

Our latest Sustainability Report will shortly be available to download from our website and I encourage shareholders to read it to find out more about the work the Company is undertaking in the area, how we are engaging with our local communities and the environmental and sustainability goals that we are setting for ourselves.

CORPORATE

On 30 November 2023, Adam Howard from UKIB and John Raymond from EMG were formally appointed to the Cornish Lithium Board as Non-Executive Directors, following the announcement of Cornish Lithium's landmark funding package in August 2023.

Derek Linfield stepped down from the Board with effect from 30 November 2023. Derek played a major role in developing the Company from August 2016 and was instrumental in negotiating and structuring the Cornish Lithium's mineral rights portfolio. He also played a major role in arranging the Company's initial funding and crowdfunding rounds. We are grateful to Derek for his years of service as Chairman and latterly as a Non-Executive Director.

As set out above, Ian Cockerill stepped down from the Board as Independent Chairman and Non-Executive Director in March 2024 following his full-time appointment as Chief Executive Officer and Executive Director of Endeavour Mining plc. I was subsequently appointed as Executive Chairman on an interim basis. A search for a new Independent Non-Executive Director is underway and updates will be provided in due course.

The Cornish Lithium Board has recently welcomed the return of former Director, Keith Liddell as a Non-Executive Director. Alongside his long association with the Company, Keith brings a wealth of knowledge of mineral extraction techniques and management of mineral projects worldwide.

ANNUAL GENERAL MEETING

The Cornish Lithium Annual General Meeting (AGM) will be held in the Sennen Suite at the Tremough Innovation Centre, Penryn, Cornwall TR10 9TA on 27 June 2024 at 10:00am. We welcome all shareholders to attend.

In addition to voting to receive and consider the financial statements for the year ended 31 December 2023, the Company has put forward all Directors for re-election in accordance with the Company's Articles of Association.

OUTLOOK

The funding secured during 2023 has given us renewed confidence to energetically pursue Cornish Lithium's goal of creating a responsible source of lithium to support the development of a battery industry in the UK for the benefit of Cornwall and the UK as a whole. Whilst the price of lithium fell significantly during 2023 from the highs of over US$80/kg seen in 2022, evidence of restocking in China is starting to see lithium prices rise off their recent lows. Most industry commentators expect prices to rise over the medium term to incentivise necessary new sources of production. Such new sources must be developed over the next few years in order to meet demand generated by the ongoing shift toward electric vehicles as the world moves towards renewable energy and Net Zero.

We are poised to deliver a number of exciting project milestones over the course of 2024, including the commissioning of our Demonstration Plant at Trelavour. We have maintained the pace and momentum of project development across both our geothermal and hard rock lithium projects and we are now making significant progress towards key commercial development decisions in 2025.

Finally, I would like to thank our management team, employees, local stakeholders and my Board colleagues for their continued efforts and commitment to realising the significant potential of the Company for the benefit of Cornwall and the UK as we transition towards a Net Zero future.

Jeremy Wrathall
Founder, Interim Chairman and CEO

BOARD OF DIRECTORS

JEREMY WRATHALL
FOUNDER, INTERIM CHAIRMAN & CEO

Jeremy has over 30 years of experience in the mining finance industry and has advised mining companies on transactions globally.

Following his graduation in Mining Engineering from the Camborne School of Mines in Cornwall, he spent three years working as a mining engineer in the South African gold mining industry. Jeremy then pursued a career in mining investment banking in London which included senior roles at global investment banks, including his most recent role as Global Head of Natural Resources – London at Investec Bank plc.

He has advised on transactions on all of the world's major mining exchanges and has served as a non-executive director of mining companies listed on AIM and on the ASX stock exchanges. Jeremy is a Fellow of the Institute of Materials, Minerals and Mining.

Having founded Cornish Lithium in 2016, Jeremy decided to fully focus on the company and left his career in investment banking in March 2017.

VARSHAN GOKOOL
CHIEF FINANCIAL OFFICER

Varshan has over 20 years of experience in guiding TSX and AIM listed mining companies from project definition through to development and construction across a number of international jurisdictions.

Following his graduation from the University of Cape Town, South Africa, he has worked on both the investment banking and corporate sides of the mining industry during which time he has arranged and led over US$ 1.5 billion of funding transactions across the entire capital structure from equity to senior secured project finance debt for mining projects. He was most recently President and CEO of Euromax Resources Limited where he led the development of the Ilovica-Shtuka Copper Gold Project in North Macedonia from inferred resource to definitive feasibility study. Prior to Euromax, he led and implemented the financing strategy of European Goldfields Limited which owned, developed and operated copper, gold, lead and zinc mines in Greece and Romania.

Varshan is a Charterholder of the Chartered Financial Analyst Institute.

JANET BLAS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Janet is currently Chief Financial Officer of Bacanora Lithium, which was acquired by Ganfeng Lithium in December 2021 for approximately £275 million. Janet is a certified public accountant who has held a number of senior financial roles including Group Chief Financial Officer and Executive Director of Gemfields, where she played a key role in the formulation and implementation of group strategy. In addition, Janet managed Gemfields' preparations for a London Stock Exchange Main Market listing.

Prior to Gemfields, Janet held a number of senior finance positions with ENRC including a key role on ENRC's IPO on the Main Market of the London Stock Exchange with the company joining the FTSE 100 index. Previously, Janet was part of the Audit and Assurance Services team at Ernst & Young in London and PWC in the Philippines.

SIMON GARDNER-BOND
NON-EXECUTIVE DIRECTOR

Simon is TechMet's Chief Technical Officer and has had a 20-year career as a geologist, metals & mining analyst, and equity investor. Prior to joining TechMet Simon has undertaken both buy side and sell side roles for firms including Investec Asset Management, Peel Hunt and Ocean Equities. He has an M.Sc. in Mineral Deposit Appraisal (Mineral Exploration) from the Royal School of Mines together with a B.Sc. (Hon.) in Geology and Physical Geography from the University of Liverpool.

ADAM HOWARD
NON-EXECUTIVE DIRECTOR

Adam is a Director of Banking and Investments at the UK Infrastructure Bank ("UKIB"), responsible for leading energy and infrastructure transactions in support of the Bank's twin mission to tackle climate change and support regional and local economic growth. Prior to joining UKIB he spent over 15 years working in the energy and infrastructure sectors at EBRD, ING Barings and Lloyds Bank, with a focus on direct equity and capital markets. During his career, Adam has led equity investments to support the growth of socially responsible mining companies across Central Asia and Eastern Europe. Adam holds an Executive MBA from INSEAD and MSc in Financial Economics from the University of Leicester.

JOHN RAYMOND
NON-EXECUTIVE DIRECTOR

John is a Co-Founder and Co-CEO of EMG, a leading diversified natural resources-focused private equity firm. He is responsible for directing strategic and investment activities of EMG and managing its investment portfolio and day-to-day activities with EMG's Co-founder and Co-CEO John Calvert.

Prior to founding EMG in 2006, Mr. Raymond served in a number of senior executive management roles within the energy sector over a period of 14 years. These include his time as Chief Executive Officer of Plains Resources, Inc. ("Plains Resources"), a publicly traded company, from 2002 to 2004. Following the management-led buyout of Plains Resources in 2004, Mr. Raymond served as Chief Executive Officer of the successor entity, Vulcan Energy Corporation, from 2004 to 2005. In addition to his current role as Chief Executive Officer of EMG, Mr. Raymond serves on the boards of 25 companies, including public and private portfolio companies of EMG, as well as several companies not owned by or affiliated with EMG. Mr. Raymond graduated from the A.B. Freeman School of Business at Tulane University in 1992 with a B.S.M. with dual concentrations in Finance and Accounting.

KEITH LIDDELL
NON-EXECUTIVE DIRECTOR

Keith is an experienced metallurgical engineer and resource company director. Working exclusively in the minerals industry since 1981 he has experience in management and ownership of a number of public and private businesses and joint ventures with a variety of participants. He has financed and brought into production mines in Africa, Australia and China. Through Lifezone Ltd, Keith is primarily focused on developing and marketing the Kell Process, which he conceived and patented. He has a number of international patents in his name and is the author of more than 20 technical and industry review papers.

Keith has also been involved in exploration for gold, platinum group metals and nickel in China and Australia, the development of an open pit, heap leach copper SX-EW mine in Australia, and exploration and production of fluorite in South Africa and Australia. He is chair of Colomi Singapore Ltd and a director of Lifezone Ltd and its licensee companies KellTech Ltd and Kelltechnology South Africa Pty Ltd.

BUSINESS MODEL AND STRATEGY

Cornish Lithium Plc (the "Company") and its subsidiaries ("Cornish Lithium", the "Group") is developing a commercially robust and environmentally responsible extraction industry in the UK for those minerals that can contribute to the global goal of decarbonisation through clean growth and a transition to a green economy. To deliver this purpose, Cornish Lithium's strategy centres around four main pillars:

PROJECT IDENTIFICATION AND DEVELOPMENT

Cornish Lithium takes a data driven approach to mineral exploration. Our team acquires, efficiently processes and digitally models data from historic mining archives and modern sources: aerial surveys, satellite imagery, drone data and geological mapping and sampling by our geologists. We are continually expanding our existing data set and building a detailed 3D digital model of the geology, mineralisation and structures of South West England.

Our Intellectual Property lies in these detailed digital models, and our team's interpretations of these. This enables us to efficiently delineate field and drill targets for testing and develop projects in a responsible manner.

INNOVATION AND COLLABORATION

Cornish Lithium uses innovative techniques and digital technology to explore for, discover, and ultimately extract, lithium and other battery metals.

Close partnerships with industry and academia enable us to stay at the forefront of advances in mineral exploration, extraction and development processes and technologies. We have a close working relationship with local universities: Camborne School of Mines (University of Exeter) and the University of Plymouth, as well as other research collaborations nationally. In parallel, industry partnerships in areas such as mineral extraction technologies are allowing us to expedite our project development. We are partners on a range of grant-funded research projects, which enable us to formally collaborate with industry and academia to develop the battery supply chain in the UK and Europe.

Our agreements with mineral rights holders across Cornwall provide us with first mover advantage in the county, and also grant us access to important private mining archive material that helps us to deliver our exploration programme.

Cornish mining has been designated a 'High Potential Opportunity' by the Department for International Trade and critical minerals is a distinctive opportunity in Cornwall Council's Industrial Strategy. As a result, we receive strong support from both local and national government.

CLEAN AND SUSTAINABLE GROWTH

As vital components of batteries used for electric vehicles and energy storage, the potential opportunity to extract metals such as lithium, tin and cobalt in Cornwall could represent a significant strategic advantage for the United Kingdom.

These critical metals must be extracted responsibly to ensure the sustainability of our local environment and we believe in investigating innovative techniques to assist in this goal. One such example is the opportunity to co-produce low carbon lithium and renewable heat energy from geothermal waters.

We aim to incorporate circular economy and systems thinking within our business model to maximise the sustainability of our activities and surroundings for the benefit of our stakeholders. As an example of this approach, we are continuously looking at ways of minimising and/or reusing waste.

PEOPLE AND PLACE

Cornish Lithium is proud to be Cornish and British, and always aspires to act with integrity and transparency. We wish to build a sustainable and responsible extraction industry in Cornwall, for the benefit of Cornwall and the wider UK. Our relationship with the local Cornish community is very important to us, and we have an active outreach programme to keep people informed of our progress, and to encourage engagement.

Our business is centred on people: our staff and our community are very important to us, and we strive to look after both responsibly. We recognise that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of its people – so we are committed to supporting and developing them.

PRINCIPAL RISKS AND UNCERTAINTIES

BUSINESS RISKS

1. TECHNOLOGICAL UNCERTAINTIES

The Group intends to use innovative technology in its hard rock and geothermal projects. This technology has yet to be used in large-scale mineral production. There is the risk that this technology will not work as intended or will be unable to produce a suitable grade of end product.

MITIGATION

The Group's lithium extraction processes for both the hard rock and geothermal projects continue to go through a rigorous process of refinement and enhancement. During 2022, commercial samples of lithium hydroxide were produced from concentrated Trelavour ore at Strategic Metallurgy's pilot plant in Perth, Australia. Lithium hydroxide has also been successfully produced at a lab scale from geothermal waters.

In 2023, the Group began a feasibility study on its hard rock project at Trelavour, with the construction of the demonstration plant expected to be completed and commissioned in mid-2024, which will be used to produce further commercial samples of lithium hydroxide as well as the associated by products for potential off-take partners.

A similar approach will be undertaken for our geothermal projects where the pilot plant at United Downs has been used to test various direct lithium extraction technologies alongside other processing technologies such as reverse osmosis. The company is in the process of finalising the selection of the processing technologies we will use at a demonstration scale plant to be constructed at Cross Lanes Farm in Chacewater. The company has submitted a planning application for the demonstration site and is aiming to commence drilling of production diameter boreholes in early 2025.

2. LITHIUM PRICES FALL TO AN EXTENT THAT IMPACTS THE COMMERCIAL VIABILITY OF THE GROUP'S PROJECTS

During 2022, the price of lithium hydroxide reached US$80/kg. This price fell back significantly in 2023 and is currently at US$14/kg. Whilst market commentators expect the price to strengthen over the next 12 to 18 months, the price could fall further as more supply lines come on stream, or if global demand continues to weaken.

MITIGATION

Management maintains a cautious outlook on commodity prices and has assumed a long-term lithium hydroxide price of US$20/kg in the scoping study for its Trelavour project.

3. CHANGE IN BATTERY TECHNOLOGY

It is not certain that lithium-ion batteries will continue to be the leading technology in the battery market, including electric vehicles. Other technologies such as solid-state batteries, hydrogen fuel cells, sodium-ion batteries and others have been advancing and may potentially replace or reduce the demand for lithium, as long as enough resources are devoted to bringing them to the market.

MITIGATION

Management is confident that lithium-ion will remain the favoured technology for battery and car manufacturers for the foreseeable future with many of the other battery chemistries listed above yet to be produced at a commercial scale. With the UK committing to ambitious carbon emission targets, including the banning of sales of new diesel and petrol-powered vehicles by 2035, management believes it is unlikely that alternative technologies will be suitably advanced to make lithium battery alternatives commercially viable in time to meet the government's target.

4. ONGOING FUNDING REQUIREMENTS

In August 2023 the Company secured a landmark £53.6m funding package from the UKIB, EMG and TechMet. This funding was closely followed by a hugely successful crowdfunding campaign which raised an additional £5.1m, from both new and existing shareholders. Whilst this funding will allow the Company to achieve a number of key project milestones, including completing the feasibility study for the Trelavour Project and finalising the engineering studies for the geothermal demonstration plant at Cross Lanes, additional funding will be required to ultimately build the Trelavour Hard Rock Project and the geothermal demonstration plant. Despite having obtained equity financing in the past, the Group cannot guarantee that it will secure sufficient financing in the future or that such financing will be favourable to the Group and its shareholders.

MITIGATION

The Group maintains its engagement with existing and potential investors to provide long-term support for its projects. As the Group progresses, it will also strive to secure additional funding

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

sources that complement its efforts, such as debt financing, offtake investment, royalties, grants, or governmental funding.

In addition, the financing secured in August 2023 was part of a larger funding package of up to an additional US$210m (c.£168m) potential second stage financing which can be made available to the Group at the option of the investors.

5. LEGAL TITLE AND MINERAL RIGHTS

In the UK, legal title to minerals (other than gold, silver, coal, petroleum and its hydrocarbons and natural gas) is not held by the state but was, historically, held by certain landholders who, subject to such rights having not been validly transferred to a third party, have the theoretical right to exploit any mineral on their property to the centre of the earth ("Mineral Rights").

It has become common however, for some landholders to split the ownership of Mineral Rights from the ownership of the surface land area, with many landholders reserving Mineral Rights in, on or under their land when the surface has been sold. Often this results in the Mineral Rights being bought and sold separately from the surface at a later date.

Ownership of Mineral Rights is capable of being registered at the Land Registry, but it is not currently legally necessary for Mineral Rights to be registered at the Land Registry to evidence legal title to the same. As a result, establishing the ownership of Mineral Rights in Cornwall is complex. Where Mineral Rights are registered at the Land Registry, the applicant for registration may be unable to show a complete history of the devolution of the Mineral Rights and any prior dealing with them so that registration is only effective subject to any prior interests which may exist at the date of entry on the register.

Even if Mineral Rights are registered with a good, as opposed to a qualified title, the identity of all the minerals comprised in the Mineral Rights may be unclear. Identifying the minerals that are the subject of the Mineral Rights may require construing and interpreting historical deeds and documents of grant or reservation, the meaning of which may be uncertain.

With respect to lithium in geothermal waters, the Company would expect to extract water from aquifers and reservoirs in the granite underlying Cornwall. It is not possible at this time (and may never be possible, even with geophysical information from exploration) to precisely identify the geographic area of the geological formations hosting the geothermal water.

There can be no assurance that the title of the Mineral Rights Holder granting a licence to the Company to exploit the minerals in an area will not be challenged as being insufficient to cover the area from which geothermal water is being extracted or whether in fact the Mineral Rights Holder, as opposed to the surface holder or any other party entitled to extract the water, has title to minerals dissolved in brines. These issues do not exist with the offshore rights acquired from the Crown Estates.

MITIGATION

The Group has entered into a series of option agreements ("Option Agreements") and exclusivity agreements ("Exclusivity Agreements") with holders of certain areas of Mineral Rights, without analysing the individual title to each parcel of land held by the owner of the Mineral Rights ("Mineral Rights Holder"). For the reasons set out above, the position of any Mineral Rights Holder is inherently uncertain. While the Company will undertake a review of the legal title pertaining to the applicable Mining Rights before developing any project, there can be no assurance that the Mineral Rights in respect of any particular area will not be challenged.

With respect to the Trelavour hard rock lithium project, the mineral rights are owned by Rt Hon. Evelyn Boscowen, 10th Viscount Falmouth, of the Tregothnan Estate ("Tregothnan"). The Group has a right to the Tregothnan Mineral Rights pursuant to a long-term mining and exploration lease for the area owned by Tregothnan known as the Trelavour Downs Mine and Parkandillick.

OPERATIONAL RISKS

6. LICENSING AND PERMITTING

To build, develop, and operate its commercial operations, the Group will be required to secure additional environmental and technical permits. However, there is a potential risk that these permits, concessions, and licenses may not be granted. Furthermore, the approval and consent process may be prolonged, or granted with specific conditions that the Group may find challenging or unfeasible to fulfil.

MITIGATION

The Group engages with a prominent law firm and industry consultants to provide it with appropriate advice with regards to planning and permitting for its projects from the initial project design stage, not just at the time of submitting the planning application(s).

7. PERSONNEL RETENTION AND RECRUITMENT

The Group's ability to reach the production phase is dependent on its ability to recruit and retain highly-qualified management, geological, technical and industry experienced personnel in Cornwall, UK.

MITIGATION

Cornwall has a rich mining heritage, with several new and established mining businesses operating in the county. It is also home to the Camborne School of Mines. These factors mean there is wealth of expertise and talent in the local area. Cornish Lithium aims to recruit locally wherever possible and offers competitive remuneration packages. It aims to create long-term and rewarding jobs in the areas in which it operates.

The Group also attends secondary schools and careers fairs as well as providing work experience placements and internships in order to demonstrate that Cornish Lithium and the mining industry in general can provide a rewarding long-term career.

At a management level, in FY23 the Group made several key appointments at senior management level.

8. HEALTH AND SAFETY RISK

Due to the utilisation of heavy machinery, mine sites (including drill sites) are inherently hazardous work environments. The incorrect handling of heavy machinery or the disregard of health and safety procedures, such as not wearing proper Personal Protective Equipment ("PPE"), can result in severe injuries or fatalities.

MITIGATION

Safety is our first priority, and we are committed to promoting and maintaining a strong safety culture for all employees and contractors. We implement applicable UK health and safety standards rigorously, supported by our Health and Safety Management system which is developed in line with ISO45001 and international best practice.

We have a dedicated and experienced Health and Safety Manager who is a chartered member of the Institute of Occupational Safety and Health and is charged with driving improvements in our health and safety ("H&S") procedures to strengthen health and safety performance throughout the company. Following the determination of the current baseline, key H&S metrics and objectives have been established to inform the further development of the management system and company performance towards specific targets and continual improvement.

H&S training is provided for all employees and business partners comprising both internal training relevant to their role within the business and external courses including IOSH Managing Safely to provide a broader understanding of the role of effective health and safety management.

All staff receive risk assessment training to enable everyone to contribute to the identification and management of hazards within the workplace. All hazardous activities are risk assessed, with higher risk activities subjected to more detailed risk assessment using either Hazard and Operability ("HAZOP"), Layers of Protection Analysis ("LOPA") or Bowtie risk assessment techniques. Risk assessments are regularly reviewed to ensure that they remain relevant to the business activities and in line with best practice. Identified controls are implemented and checked at site level with regular inspections and verification programs to identify failures in the controls.

Health and Safety risk management is also aligned within the wider corporate risk management approach, which ensures that the Executive Committee has visibility of the key risks that require attention across the business, and this forms a key part of monthly management reporting.

Communication and governance of health and safety issues is managed through a series of Health and Safety Committees at site level that feed into a Group Health and Safety Committee which reports into the Board. The Group Health and Safety Committee is chaired by an Executive Committee member to ensure engagement throughout the Company.

ESG & SUSTAINABILITY RISKS

9. LOCAL STAKEHOLDER ACCEPTANCE

In order to move forward with its projects, the Group needs to obtain the backing and approval of the stakeholders in the local community. If the Group fails to foster this social license, it could severely hinder the progress of its projects.

MITIGATION

Management is committed to meaningful engagement with the local communities in the areas in which it operates. Our relationship with the local Cornish community is very important to us, and we have an active outreach programme to keep people informed of our progress, and to encourage engagement. The Group hosts regular community engagement events to inform residents of planned works and to answer questions.

Over the past year we have taken a number of actions towards our objectives including:

- Continuing to strengthen the ESG team both in terms of number and breadth of experience
- Further increased our outreach activities as our operational activity increases
- Maintained our sponsorship of and work with local charities in line with our charitable objectives (including the Cornwall Heritage Trust, Cornwall Wildlife Trust, Cornwall Community Foundation and the Cornish Seal Sanctuary)
- Hosting school visits and talks in schools and colleges to inspire the next generation
- Significantly grown the Company providing a significant number of jobs in Cornwall
- Providing work experience and internships for students

10. ENVIRONMENTAL LAWS AND REGULATIONS

The Group's current and future operations in Cornwall will be subject to environmental regulations at both local and national levels. These regulations encompass a range of environmental aspects, such as water discharges, air emissions, waste management, toxic material usage, and environmental cleanup. Environmental laws and regulations are constantly changing, and it is anticipated that the regulations governing the operations will become more rigorous over time.

MITIGATION

The Group is committed to complying with environmental regulations and strives to make its hard rock and geothermal projects environmentally sustainable with low carbon emissions and minimal waste generation.

FINANCIAL REVIEW

The Group is in the exploration and development stage of its life cycle and is not expected to generate revenues until 2027. It is therefore not expected to report overall profits until at least 2027. As such, it does not currently have any financial key performance indicators.

During the year ended 31 December 2023, Cornish Lithium invested a total of £15.0m in tangible and intangible assets, primarily consisting of investments in exploration and evaluation assets as the Group progressed with the build of the hard rock demonstration plant and continued with its Geothermal exploration work.

On 14 September 2023 the Group issued 4 classes (A-D) of convertible redeemable preference shares denominated in USD as part of the August 2023 funding agreement. The Group will issue the preference shares in stages as funds are required. At the inception date of the agreement the Group issued 76,369,804 preference shares amounting to $19,129,000. The preference shares are recognised as a liability in the Consolidated Statement of Financial Position, with a total carrying value at 31 December 2023 of £13.0m, which is presented net of £2.2m of transaction costs. Further details about the accounting treatment of the preference shares can be found in notes 18,19 and 20 to the Consolidated Financial Statements.

In addition to the above, trade and other payables increased by £2.6m as the business ramped up the pace of its projects, meaning in total the Group's net assets decreased to £22.3m (2022: £24.8m).

The Group made a loss from operations of £8.4m (2022: £6.7m). The primary driver of this increase has been employee costs, which rose as result of the Group's average headcount increasing from 51 to 68 employees as its operations expand and its management team is enhanced. Employee costs which were not capitalised as exploration and evaluation assets amounted to £4.2m (2022: £3.0m). Legal, professional and consultancy expenses of £1.3m (2022: £1.2m) were incurred as the Group sought to secure and expand its portfolio of mineral rights across Cornwall and to assist the business with the planning, permitting and execution of its projects. Also included in the operating loss for the year are share-based payment expenses of £1m (2022: £0.6m).

FUNDING

Please refer to the Chairman and CEO's statement.

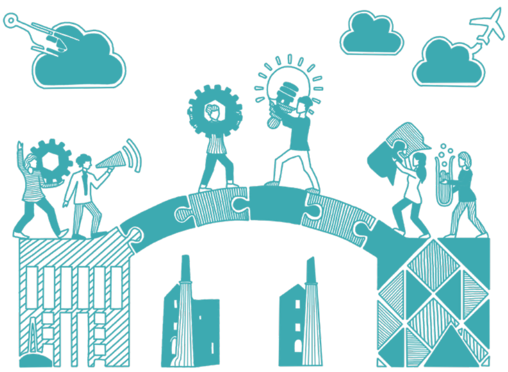
EVENTS AFTER THE REPORTING DATE

On 20 February 2024 the Group issued 80,764,442 convertible redeemable preference shares amounting to US$20,499,950. This formed the second issuance as part of the August 2023 funding agreement made during 2023 (see note 18 for further details).

This report was approved by the board and signed on its behalf.

V B Gokool
Director

5 June 2024



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the Financial Statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of research and exploration activities relating to the identification and extraction of technology metals.

RESULTS AND DIVIDENDS

The loss for the year, after taxation and minority interests, amounted to £8,593,061 (2022: £6,602,201). The directors do not recommend the payment of a dividend in the current or prior year.

DIRECTORS

The directors who served during the year were:

I D Cockerill	(Non-Executive Chairman – resigned 24 February 2024)
J B E Wrathall	(Chief Executive Officer & Interim Chairman)
V B Gokool	(Chief Financial Officer)
J Blas	(Non-Executive Director)
S Gardner-Bond	(Non-Executive Director)
A J Howard	(Non-Executive Director – appointed 30 November 2023)
K S Liddell	(Non-Executive Director – resigned 8 June 2023, reappointed 28 February 2024)
D Linfield	(Non-Executive Director – resigned 30 November 2023)
J Raymond	(Non-Executive Director – appointed 30 November 2023)
D J Castle*	(Non-Executive Director – appointed 14 September 2023)
J R Whiteside*	(Non-Executive Director – appointed 30 November 2023)

* D J Castle and J R Whiteside are alternate directors for S Gardner-Bond and A J Howard respectively. Alternate directors are appointed under the Company's Articles of Association and are solely able to act as substitutes for principal directors should the principal director be unavailable to attend a Board meeting.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected under Company law to prepare the Consolidated Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Financial Statements are required by law and international accounting standards in conformity with the requirements of the Companies Act to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 of the profit or loss of the Group for that period.

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

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

GOING CONCERN

The Financial Statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group is still in the exploration and evaluation stage of its development and is reliant on equity funding to finance its test work, development plans and operations including capital expenditure required to construct any of its projects. The Group's projects are still in their early stages with new, highly innovative and unproven technologies being developed to execute its business plan. There can be no assurance that the scale up of these technologies will be successful in the commercial context of the Group.

As at 31 May 2024, the Group held cash and cash equivalents of £14.0m with access to further funding of $28.8m (c.£22.5m).

The Board has reviewed and challenged the completeness and accuracy of the Group's financial projections for the next 12 months. This review included the Group's current development plans and expenditures, forecast fixed overheads, commitments and existing cash resources which will be used to fund these expenditures. Based on this review, the Board is satisfied that the Group is able to meet its commitments for a period of at least 12 months from the date these accounts were signed.

Based on the above, the Board, at the time of approving these Consolidated Financial Statements, have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and has adopted the going concern basis of accounting in preparing these Financial Statements.

EVENTS AFTER THE REPORTING DATE

These are detailed in the Strategic Report on page 14.

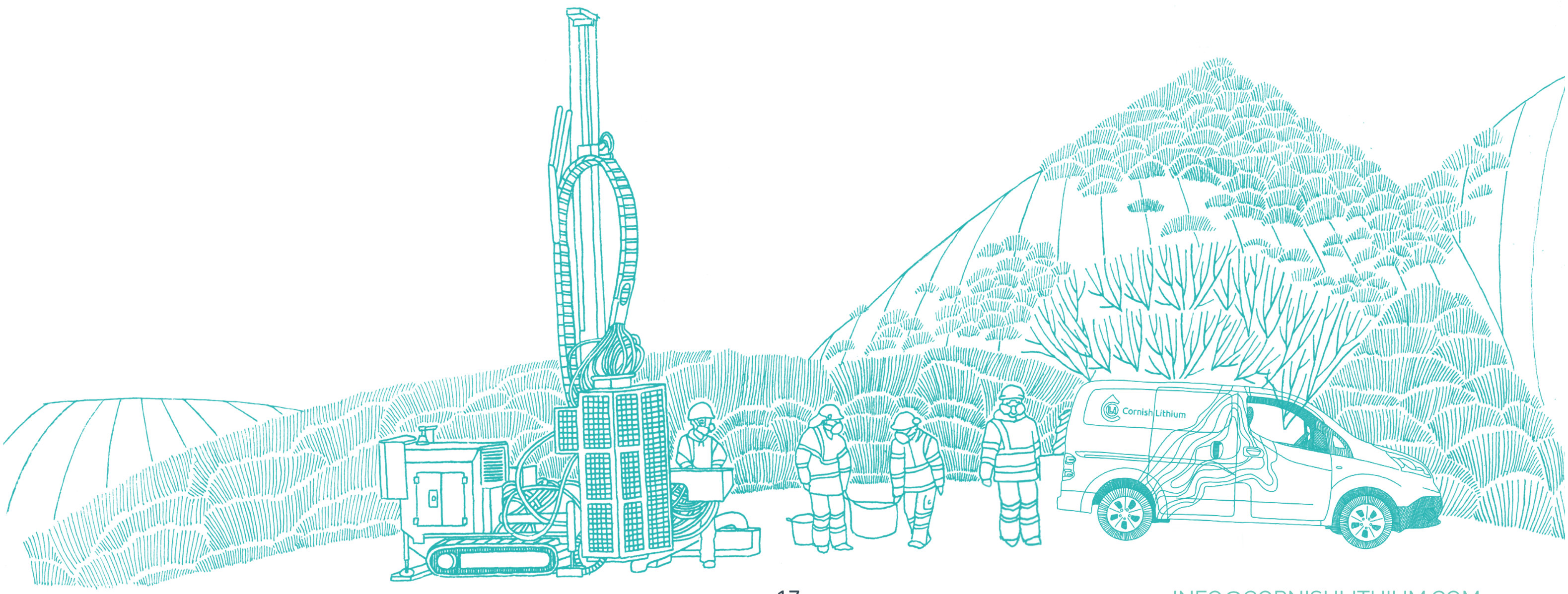
AUDITOR

The auditor, PKF Francis Clark, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

V B Gokool
Director

5 June 2024



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNISH LITHIUM PLC

OPINION

We have audited the financial statements of Cornish Lithium Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2023, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity and the notes to the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2023 and of the loss of the Group for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTER 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 Interim Chairman and Chief Executive Officer's Statement, Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Interim Chairman and Chief Executive Officer's Statement, Strategic Report and 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 our knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept by the Group and Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group and 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 set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and or Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, 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:

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud, of which there were none.
- Reviewed legal and professional costs to identify any possible non-compliance of legal costs in respect of non-compliance.
- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

Based on our understanding of the Group and Parent Company and industry, we identified the principal risks of non-compliance with laws and regulations related to acts by the Group and Parent Company which were contrary to applicable laws and regulations, including fraud.

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (IFRS, FRS 101 and Companies Act 2006) and the relevant tax compliance regulations in the UK. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty, including compliance with the Health and Safety at Work etc Act 1974 and the ongoing monitoring requirements imposed by the UK Environment Agency under the Environment Act 1995.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to fraudulent financial reporting, specifically in relation to over capitalisation of assets, under recording of liabilities or insufficient disclosures in relation to going concern.

Audit procedures performed by the engagement team include, but were not limited to, discussions and inquiries with management of compliance with laws and regulations and review of significant legal costs incurred in the year as well as correspondence with the UK Environment Agency. We also addressed the risk of management override of internal controls, including testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud with a particular reference to the key accounting estimates as set out in Note 3.

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

A further description of our responsibilities is available 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 Group's and Parent 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 Group and Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Parent Company and the Group and Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Duncan Leslie (Senior Statutory Auditor)
For and on behalf of PKF Francis Clark, Statutory Auditor

5 June 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023** **£**	2022 £
Administrative expenses		**(8,900,600)**	(6,755,169)
Other operating income	*4*	**504,724**	102,538
LOSS FROM OPERATIONS	*5*	**(8,395,876)**	(6,652,631)
Finance expenses	*9*	**(795,033)**	(854,407)
Finance income	*10*	**416,137**	53,530
LOSS BEFORE TAXATION		**(8,774,772)**	(7,453,508)
Taxation	*11*	**181,711**	866,928
TOTAL COMPREHENSIVE LOSS FOR YEAR		**(8,593,061)**	(6,586,580)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Non-controlling interests		**-**	15,621
Owners of the parent Company		**(8,593,061)**	(6,602,201)
		(8,593,061)	(6,586,580)

All amounts relate to continuing operations. No other comprehensive income was earned during the year (2022: £Nil)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
NON-CURRENT ASSETS			
Intangible assets	*12*	**22,133,341**	13,411,596
Property, plant and equipment	*13*	**6,978,748**	2,148,827
Right of use assets	*14*	**725,291**	21,828
		29,837,380	15,582,251
CURRENT ASSETS			
Assets held for sale	*15*	**58,800**	677,583
Other receivables	*16*	**3,510,424**	2,141,222
Cash and cash equivalents		**6,887,007**	8,105,712
		10,456,231	10,924,517
TOTAL ASSETS		**40,293,611**	26,506,768
CURRENT LIABILITIES			
Lease liabilities - current	*14*	**(139,190)**	(10,203)
Trade and other payables	*17*	**(4,312,052)**	(1,681,783)
		(4,451,242)	(1,691,986)
NON-CURRENT LIABILITIES			
Borrowings	*18*	**(8,063,028)**	-
Derivative financial liabilities	*19*	**(4,889,587)**	-
Lease liabilities	*14*	**(601,150)**	(7,575)
		(13,553,765)	(7,575)
TOTAL LIABILITIES		**(18,005,007)**	(1,699,561)
NET ASSETS		**22,288,604**	24,807,207
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	*21*	**62,038**	59,281
Share premium	*21*	**14,063,703**	8,995,500
Share option reserve	*24*	**2,193,277**	1,189,779
Retained earnings		**5,969,586**	14,562,647
TOTAL EQUITY		**22,288,604**	24,807,207

These Financial Statements were approved and authorised for issue by the Board and were signed on its behalf.

V B Gokool
Director
5 June 2024

The accompanying notes form an integral part of these financial statements.

Registered number: 10205021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital	Share premium	Share option reserve	Retained (deficit)/ earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
		£	£	£	£	£	£	£
AT 1 JANUARY 2022		535	25,396,310	579,406	(5,015,618)	20,960,633	2,775	**20,963,408**
COMPREHENSIVE LOSS FOR THE YEAR								
(Loss)/profit for the year		-	-	-	(6,602,201)	(6,602,201)	15,621	**(6,586,580)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Issue of ordinary and bonus shares		58,846	9,853,458	-	-	9,912,304	-	**9,912,304**
Cancellation of share premium		-	(26,164,007)	-	26,164,007	-	-	**-**
Cancellation of nil paid shares		(100)	(90,261)	-	-	(90,361)	-	**(90,361)**
Share based payment expense	*24*	-	-	610,373	-	610,373	-	**610,373**
Step acquisition of Geocubed Ltd		-	-	-	16,459	16,459	(18,396)	**(1,937)**
AT 31 DECEMBER 2022		**59,281**	**8,995,500**	**1,189,779**	**14,562,647**	**24,807,207**	**-**	**24,807,207**
COMPREHENSIVE LOSS FOR THE YEAR								
Loss for the year		-	-	-	(8,593,061)	(8,593,061)		**(8,593,061)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Issue of ordinary shares		2,758	5,068,202	-	-	5,070,960	-	**5,070,960**
Share based payment expense	*24*	-	-	1,003,498	-	1,003,498	-	**1,003,498**
AT 31 DECEMBER 2023		**62,039**	**14,063,702**	**2,193,277**	**5,969,586**	**22,288,604**	**-**	**22,288,604**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the financial year		**(8,593,061)**	(6,586,580)
ADJUSTMENTS FOR:			
Amortisation of intangible assets	*12*	**152,946**	152,962
Depreciation of property, plant and equipment	*13*	**214,065**	89,663
Amortisation of right of use assets	*14*	**59,646**	12,137
Government grants	*4*	**(504,724)**	(96,388)
Net finance expenses/(income) excluding fair value gains	*9, 10*	**461,397**	(53,382)
Fair value (gain)/loss on derivative financial assets	*20*	**(82,501)**	852,864
Gain on disposal of fixed assets		**(12,368)**	-
Loss on disposal of investment		**-**	101,307
Fair value loss on investment	*15*	**246,097**	123,193
Share based payment expense	*24*	**1,003,498**	610,373
Increase in income tax receivable	*11*	**(181,711)**	(648,206)
(Increase)/decrease in trade and other receivables		**(1,307,036)**	511,448
Increase in trade and other payables		**1,079,787**	1,139,823
Decrease in deferred tax		**-**	(218,722)
Corporation tax received/(paid)		**475,704**	(375,607)
Net exchange differences		**2,748**	(123,753)
NET CASH USED IN OPERATING ACTIVITIES		**(6,985,513)**	(4,508,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(7,980,676)**	(9,042,841)
Purchase of plant, property and equipment		**(7,080,948)**	(1,722,488)
Government grants received		**2,048,620**	1,881,173
Purchase of held for trading investments		**-**	(914,721)
Proceeds from disposal of other assets held for sale		**204,237**	-
Proceeds from disposal of investment		**395,682**	494,499
Interest received		**205,801**	53,530
NET CASH USED IN INVESTING ACTIVITIES		**(12,207,284)**	(9,250,849)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of preference shares (net of transaction costs)		**9,823,445**	-
Proceeds from issue of convertible loan note		**3,147,138**	-
Issue of ordinary shares		**5,070,960**	9,912,304
Principal paid on lease liabilities		**(59,474)**	(12,036)
Interest paid on lease liabilities		**(6,607)**	(330)
Interest paid		**(1,370)**	(148)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**17,974,092**	9,899,790
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,218,705)**	(3,859,926)
Cash and cash equivalents at beginning of year		**8,105,712**	11,965,638
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**6,887,007**	8,105,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Cornish Lithium Plc (the "Company") is a public limited company, limited by shares and incorporated in the United Kingdom and is registered in England & Wales. The Company's ordinary shares are not traded on the stock exchange. The address of the registered office is stated on the Company information page and the nature of the Company's operations and principal activities are that of research and exploration activities relating to the identification and extraction of technology metals.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group financial statements have been prepared in accordance with International Accounting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023. These accounting policies were consistently applied for all the periods presented.

The Financial Statements are presented in pounds sterling, which is also the Group's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

The preparation of financial statements in compliance with United Kingdom adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in Note 3.

2.2 BASIS OF MEASUREMENT

The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities measured at fair value through profit or loss, details of which can be found in the relevant accounting policy.

2.3 BASIS OF CONSOLIDATION

The Group Consolidated Financial Statements consolidate the Financial Statements of Cornish Lithium Plc and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these Consolidated Financial Statements, subsidiaries are those entities controlled by the Group. The Group (as investor) controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income, expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full.

On 28 March 2022, the Company acquired an additional 10% interest in Geocubed Limited resulting in Cornish Lithium Plc becoming the sole shareholder of Geocubed Limited. Using the acquisition method of accounting, the Company no longer recognises a non-controlling interest in this subsidiary.

2. ACCOUNTING POLICIES (CONTINUED)

The following were subsidiary undertakings of the Group during the periods presented in these financial statements:

Name	Registered office	Class of shares	Holding
Geocubed Limited	United Kingdom	Ordinary	100%
Cornish Lithium G5 Limited	United Kingdom	Ordinary	100%
Cornish Lithium Geothermal Limited	United Kingdom	Ordinary	100%
Cornish Lithium Land Holdings Limited	United Kingdom	Ordinary	100%
Cornish Lithium Hard Rock Limited	United Kingdom	Ordinary	100%
Ecocopper Cornwall Limited	United Kingdom	Ordinary	100%
Ecometals Cornwall Limited	United Kingdom	Ordinary	100%

All shareholdings are held directly.

The registered office of all subsidiary undertakings is Tremough Innovation Centre, Penryn, Cornwall, United Kingdom, TR10 9TA.

The principal activity of Geocubed Limited is to develop and install a pilot plant for direct lithium extraction from deep geothermal brines in the UK.

The principal activity of Cornish Lithium G5 Limited is to develop and operate hard rock lithium projects derived from G5 granite in the St Austell region in Cornwall.

The principal activity of Cornish Lithium Geothermal Limited is to develop and operate lithium projects derived from geothermal brines in Cornwall.

The principal activity of Cornish Lithium Land Holdings Limited is to hold farm business tenancy leases in Cornwall.

The principal activity of Cornish Lithium Hard Rock Limited is to act as a holding company for the Group's companies involved in its hard rock projects.

The remaining subsidiary undertakings were dormant as at 31 December 2023.

Subsidiary entity accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) using the FRS 101 Reduced Disclosure Framework.

For the period ended 31 December 2023, the following subsidiaries were entitled to the exemption from audit under section 479A of the Companies Act 2006.

Geocubed Limited	Registered Number 12709660
Cornish Lithium Hard Rock Limited	Registered Number 13175770
Cornish Lithium Land Holdings Limited	Registered Number 13175616

2. ACCOUNTING POLICIES (CONTINUED)

2.4 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New standards, interpretations and amendments effective from 1 January 2023

The following new standards impacting the Group have been adopted in the annual Financial Statements for the year ended 31 December 2023:

- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.5 FOREIGN CURRENCY TRANSLATION

Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

2. ACCOUNTING POLICIES (CONTINUED)

2.6 GOING CONCERN

The Financial Statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group is still in the exploration and evaluation stage of its development and is reliant on equity funding to finance its test work, development plans and operations including capital expenditure required to construct any of its projects. The Group's projects are still in their early stages with new, highly innovative and unproven technologies being developed to execute its business plan. There can be no assurance that the scale up of these technologies will be successful in the commercial context of the Group.

As at 31 May 2024, the Group held cash and cash equivalents of £14.0m with access to further funding of $28.8m (c.£22.5m).

The Board has reviewed and challenged the completeness and accuracy of the Group's financial projections for the next 12 months. This review included the Group's current development plans and expenditures, forecast fixed overheads, commitments and existing cash resources which will be used to fund these expenditures. Based on this review, the Board is satisfied that the Group is able to meet its commitments for a period of at least 12 months from the date these accounts were signed.

Based on the above, the Board, at the time of approving these Consolidated Financial Statements, have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and has adopted the going concern basis of accounting in preparing these Financial Statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.7 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Cornish Lithium Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights.

Employee options

The fair value of options granted under the Cornish Lithium Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (such as the requirement for employees to
- save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Other share options and warrants

Where other share options and warrants are issued, the fair value of the options at the date of grant is equally charged to the statement of comprehensive income over the vesting period. Charges in relation to warrants which include non-vesting conditions are charged to the statement of comprehensive income only when management deems it probable that the non-vesting conditions will be met. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

2.8 INTANGIBLE ASSETS

Externally acquired intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

AMORTISATION

Amortisation is charged over the useful lives of any intangible fixed assets and has been assessed as follows:

Patents and licences	-	Straight-line basis over 15 years
Computer software	-	Straight-line basis over 3 years
Exploration and evaluation costs	-	No amortisation is charged in the exploration and evaluation phase (see note 2.9 for further details)

2. ACCOUNTING POLICIES (CONTINUED)

2.9 OTHER INTANGIBLE ASSETS

Exploration and evaluation costs

During the initial stage of a project, exploration costs are expensed in the consolidated statement of comprehensive income as incurred. Exploration expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale or where the exploration activities have not reached a stage that permits a reasonable assessment of the existence of reserves, are capitalised and recorded on the balance sheet within exploration and evaluation assets for mining projects at the exploration stage. Capitalised evaluation and exploration costs are classified as tangible or intangible assets based on the nature of the expense.

Intangible exploration and evaluation expenditure comprises costs directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation assets are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made. Intangible exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project that is when a bankable feasibility study is obtained, and project finance is in place.

Mine development costs within property, plant and equipment are depreciated or amortised when commercial production of lithium begins. Tangible exploration and evaluation assets are depreciated when they are deemed to be consumed as part of the exploration and evaluation phase of a project. The depreciation charge on these assets is then capitalised as an intangible exploration and evaluation asset.

The Group has concluded four key exploration agreements for defined areas within Cornwall and continues to negotiate further exploration agreements. The four exploration agreements entered into by the Group grant the Group exclusive licenses to explore for lithium, other minerals and geothermal energy contained within liquid brines and, in addition, the Group has signed a 30 year mining lease for the extraction of hard rock lithium ore. The exploration licenses are renewable on an annual or 5-yearly basis for no less than 10 additional years and subject to an annual payment which is payable in shares in the capital of the Company or, in certain circumstances, cash. The Group has multiple mineral exclusivity agreements either signed or in negotiation – these range in duration from 2 to 3 years with the intention of conversion to exploration and option deeds if the mineral ownerships are attractive to take forward.

Each exploration license further grants the Group an option to enter into an agreed form 20-30-year mining lease which affords the Group the right to extract and process minerals from the liquid brine and to utilise geothermal energy from the respective defined land areas once planning permission for the same has been granted. Each lease contains an agreed royalty payment based on gross revenue attributable to sales of the minerals and geothermal energy covered by the respective mining lease. Each of the mining leases grant the Group the right to enter the land insofar as the surface is owned by the counter party to the licensing agreement. To the extent that the surface is owned by a third party, the Group would need to negotiate access rights to develop any mining project. To date, the Group has not exercised its option to enter into any of the mining leases as it continues to evaluate the minerals within each of the respective exploration licenses.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. The cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Right of use assets - over the life of the lease
Plant and machinery - 3-5 years straight line
Computer equipment - 3 years straight line
Leasehold improvements - over the life of the lease
Exploration and evaluation assets - 3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Tangible exploration and evaluation assets are only depreciated when they are consumed as part of the exploration and evaluation phase of a project.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 FINANCE INCOME

Finance income is recognised in the consolidated statement of comprehensive income using the effective interest method. Fair value gains on financial liabilities are recognised as finance income in the period incurred.

2.12 FINANCE EXPENSE

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Fair value losses on financial liabilities are recognised as finance expenses in the period incurred.

2.13 POST-EMPLOYMENT BENEFIT COSTS

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.14 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. ACCOUNTING POLICIES (CONTINUED)

2.15 FINANCIAL ASSETS

Financial assets within the scope of IFRS 9 are classified as fair value through profit or loss, fair value through other comprehensive income or at amortised cost.

The Group currently holds no financial assets held at fair value through other comprehensive income. The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Amortised cost

This category of financial asset incorporates financial assets where the objective is to hold the asset in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. Assets in this category include other receivables such as refundable deposits paid to suppliers and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

As the Group is currently pre-revenue, it does not hold financial assets arising principally from the provision of goods and services to customers (e.g. trade receivables).

For other receivables, at each year-end, the Group assesses whether the credit risk on financial assets has increased significantly since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for financial assets at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since initial recognition or for credit impaired financial assets, the Group measures the allowance account for the financial assets at an amount equal to the lifetime expected credit losses.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Fair value through profit or loss

This category comprises in-the-money and out-of-money derivatives which are not designated as hedging instruments and held for trading equity investments. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. The Group does not voluntarily classify any financial assets as being at fair value through profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.16 FINANCIAL LIABILITIES

Classification of hybrid financial instruments

The Group has issued redeemable convertible preference shares which are classed as financial liabilities. These liabilities represent a hybrid financial instrument consisting of a debt host with several embedded derivatives arising from the Conversion option and associated embedded derivatives attached to each agreement.

The element of the agreements that relate to the debt host and any closely related derivates are initially recognised at fair value less transaction costs and subsequently carried at amortised cost.

The embedded derivatives that are not deemed to be closely related to the debt host have been separated out from the host contract. These elements are initially recognised at fair value and subsequently measured at fair value through profit or loss (FVTPL).

Financial liabilities carried at amortised cost

These financial liabilities include borrowings, trade and other payables and finance lease liabilities. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial liabilities carried at FVTPL

These financial liabilities comprise of derivatives relating to the Conversion option and associated embedded derivatives on convertible redeemable preference shares. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. None of the derivative contracts entered into by the Group are designated as hedging instruments. As such, any changes in the fair value of the derivative instruments is recognised immediately in profit or loss. Gains are included in finance income, losses are included in finance expense.

2. ACCOUNTING POLICIES (CONTINUED)

2.17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Certain financial assets and liabilities included in the Group's Consolidated Financial Statements require measurement at fair value.

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The fair value of the Group's financial assets is determined using Level 2 inputs, whilst the fair value of financial liabilities is determined using principally level 3 inputs.

2.18 LEASES

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Land and property leases directly related to exploration and evaluation activities are accounted for under IFRS 6, whereby rental costs are capitalised as intangible exploration and evaluation assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The Group does not hold any leases in which this rate can not be readily determined.

2. ACCOUNTING POLICIES (CONTINUED)

2.18 LEASES (CONTINUED)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease, and
- initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Leases held by the Group which are within the scope of IFRS 16 relate to vehicles with typical lease terms of between 2 and 4 years and property with lease terms of 7 years. These leases comprise only fixed payments over the lease terms.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low- value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Low value-leases are considered to be all leases where the individual value of the underlying assets is below £5,000, or where the lease is equal to or shorter than one year.

2.19 TAXATION

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.19 TAXATION (CONTINUED)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

2.20 GRANTS

The amounts represented in other operating income relate to grants provided by external parties in order to assist with the funding of the Group. Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions related to them and that the grants will be received.

Grants related to income are recognised in the Consolidated Statement of Comprehensive Income on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. They are either offset against the related expense or presented as income, either separately or under a general heading such as ‘other income’. The timing of such recognition in the consolidated statement of comprehensive income will also depend on the fulfilment of any conditions or obligations attaching to the grant.

Government grants received in relation to capitalised exploration and evaluation assets are netted off against the carrying value of the exploration and evaluation asset.

Government grants that are due to be received after the year end and where the conditions have been met are recognised as accrued income in other receivables.

During the current and prior year the Group received grant funding from government-backed institutions in relation to various projects. The primary aim of these grants was to accelerate the development of the Group’s lithium extraction processes.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the statement of financial position date, amounts reported for expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these judgements and estimates could create a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial period. In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

Judgements:

Recoverability of exploration and evaluation assets

Exploration and evaluation assets include mineral rights and exploration costs, including geophysical, topographical, geological, drilling and geological modelling and similar types of costs. Exploration and evaluation costs are capitalised if management concludes that future economic benefits are likely to be realised and determines that economically viable extraction operation can be established as a result of exploration activities and internal assessment of mineral resources.

IFRS 6: Exploration for and evaluation of mineral resources, outlines the potential indicators of impairment to include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licenses in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised, which requires significant judgement.

Costs capitalised to exploration and evaluation assets

Judgement is applied in the determination of the type of costs that are capitalised to exploration and evaluation assets as described in the accounting policy note above. Payroll costs that are directly attributable to exploration and evaluation related activities are capitalised.

At 31 December 2023, £20.3m of costs have been capitalised as an intangible exploration and evaluation asset and £6.7m of costs have been capitalised as a tangible exploration and evaluation asset. Management has budgeted the costs for further development of these assets however their recoverability is dependent on future funding.

Accounting policy choice regarding convertible redeemable preference shares

As described in note 2.16, management has made an accounting policy choice to bifurcate the embedded derivatives from the debt host of the convertible redeemable preference shares, which has been classified as financial liability. The debt host is carried at amortised cost less transaction cost, whilst the embedded derivatives are carried at FVTPL.

This choice required management judgement as IFRS 9: Financial Instruments also permits the entire contract (i.e. debt host and embedded derivatives) to be carried at FVPTL, with transaction costs being included in profit or loss.

Had management opted to carry the entire instrument at FVTPL, this would have resulted in additional non-current liabilities and losses of £7,156,859.

Going concern

The directors exercise judgement when concluding on going concern as the basis of preparation of the financial statements.

For further details see note 2.6.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates:

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield. These inputs are based on management estimates at the date of grant.

For the measurement of the fair value of equity settled transactions with employees and contractors at the grant date, the Group uses the Black Scholes model. The weighted average fair value per share of share options granted during the year was £0.151 (2022: £0.056).

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Fair value of derivative financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 20.

4. OTHER OPERATING INCOME

	2023 **£**	2022 £
Other operating income	-	6,150
Income from government grants	**504,724**	96,388
	504,724	102,538

5. LOSS FROM OPERATIONS

Included in the operating loss for the period are the following:

	2023 £	2022 £
Employee remuneration	**3,186,520**	2,315,812
Legal, consulting and other professional fees	**1,283,701**	1,192,938
Directors remuneration	**1,039,004**	686,163
Share-based payment expense	**1,003,498**	610,373
IT costs	**491,358**	409,259
Fair value loss on held for sale investment	**246,097**	123,193
Depreciation of property, plant and equipment	**214,065**	89,663
Amortisation of intangible assets	**152,946**	152,962
Depreciation of right of use assets	**59,645**	12,137
Loss on disposal of investments	**-**	101,307
Other costs	**1,223,766**	1,061,362
	8,900,600	6,755,169

6. EMPLOYEES

	2023 £	2022 £
Wages and salaries	**5,340,404**	3,803,350
Social security costs	**627,473**	450,283
Cost of defined contribution scheme	**343,127**	260,164
	6,311,004	4,513,797

The average number of employees, including directors, during the year was 68 (2022: 51).

Of the total employee costs incurred during the year £2,085,480 was capitalised as intangible exploration and evaluation assets (2022: £1,511,823).

7. DIRECTORS' REMUNERATION

	2023 £	2022 £
Directors' emoluments	**990,396**	659,330
Group contributions to defined contribution pension schemes	**48,608**	26,833
	1,039,004	686,163

The directors are considered to be key management personnel.

The total amount payable to the highest paid director in respect of emoluments was £439,143 (2022: £339,733). During the year ended 31 December 2023, the highest paid director held 1 million exercisable share options. During the year ended 31 December 2022, the highest paid director held 1 million exercisable share options and exercised warrants to purchase 250,000 ordinary shares in the Company at £0.05315 per share.

The group made contributions to money purchase pension schemes on behalf of 2 directors during the year (2022: 2). The value of the group's contributions paid to money purchase pension schemes in respect of the highest paid director amounted to £25,300 (2022: £Nil).

There were 2 directors entitled to receive shares under long term incentive schemes (2022: 2).

8. AUDITOR'S REMUNERATION

Fees payable to the Group's auditor for the audit of the Group's annual Consolidated Financial Statements and subsidiaries totalled £55,000 (2022: £30,500).

9. FINANCE EXPENSE

	2023 **£**	2022 £
Interest payable on convertible preference shares	**636,903**	-
Interest on lease liabilities	**24,710**	1,395
Interest on convertible loan note	**67,208**	-
Other interest payable	**66,212**	-
Fair value loss on derivative financial asset	**-**	852,864
Bank interest payable	**-**	148
	795,033	854,407

10. FINANCE INCOME

	2023 **£**	2022 £
Bank interest	**205,802**	53,530
Net exchange gain on foreign currency borrowings	**127,834**	-
Fair value gain on financial liabilities designated at fair value through profit or loss	**82,501**	-
	416,137	53,530

11. TAXATION

A). TAX ON LOSS ON ORDINARY ACTIVITIES

	2023 **£**	2022 £
Current tax:		
UK corporation tax credit on the loss for the year	**(399,733)**	(625,726)
Adjustment in respect of prior periods	**218,022**	-
Total current tax	**(181,711)**	(625,726)
Deferred tax:		
Origination and reversal of timing differences	**-**	(241,202)
Total tax (credit) for the year	**(181,711)**	(866,928)

11. TAXATION (CONTINUED)

B). FACTORS EFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 25% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	**(8,774,772)**	(7,453,508)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2022 - 19%)	**(2,193,693)**	(1,416,167)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**417,835**	169,142
Capital allowances for year in excess of depreciation	**(200,113)**	(90,463)
Unrelieved tax losses carried forward	**1,527,813**	880,930
SME enhanced R&D relief	**49,668**	(269,240)
Adjustments in respect of prior periods	**218,022**	(22,480)
Adjustments in respect of disposal of investment	**(1,243)**	(11,848)
Tax relief on share options	-	(106,802)
Total tax benefit for the year	(181,711)	(866,928)

C). DEFERRED TAX

	2023 £	2022 £
Liabilities		
Disposal of investment	-	218,722
Total deferred tax liabilities recognised in the Statement of Financial Position	-	218,722

Deferred taxation has been calculated using a tax rate of 25% (2022: 25%) following the increase to the main rate of corporation tax effective from 1 April 2023.

In 2023, there were unrecognised deferred tax assets totalling £3,378,865 (2022: £2,104,125) arising in relation to carried forward losses and fixed asset timing differences.

12. INTANGIBLE ASSETS

	Patents and licences	Exploration and evaluation costs	Computer software	Total
	£	£	£	£
Cost				
At 1 January 2022	**2,269,939**	**4,162,957**	**13,904**	**6,446,800**
Additions	-	7,292,082	-	7,292,082
At 31 December 2022	**2,269,939**	**11,455,039**	**13,904**	**13,738,882**
Additions	-	8,874,691	-	8,874,691
At 31 December 2023	**2,269,939**	**20,329,730**	**13,904**	**22,613,573**
Amortisation				
At 1 January 2022	**163,940**	-	**10,384**	**174,324**
Charge for the year	151,329	-	1,633	152,962
At 31 December 2022	**315,269**	-	**12,017**	**327,286**
Charge for the year	151,329	-	1,617	152,946
At 31 December 2023	**466,598**	-	**13,634**	**480,232**
Net Book Value				
At 31 December 2023	**1,803,341**	**20,329,730**	**270**	**22,133,341**
At 31 December 2022	1,954,670	**11,455,039**	1,887	13,411,596

Patents and licenses comprises a collaboration agreement between the Group and Lepidico Ltd whereby the Group have a licence to use technology owned by Lepidico Ltd to extract minerals.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Computer equipment	Leasehold improvements	Exploration and evaluation assets	Total
	£	£	£	£	£
Cost					
At 1 January 2022	43,731	260,683	-	387,254	691,668
Additions	18,425	136,109	-	1,567,954	1,722,488
At 31 December 2022	62,156	396,792		1,955,208	2,414,156
Additions	28,000	77,651	59,851	4,878,484	5,043,986
At 31 December 2023	**90,156**	**474,442**	**59,851**	**6,833,692**	**7,458,142**
Depreciation					
At 1 January 2022	27,238	148,428	-	-	175,666
Charge for the year	11,879	77,784	-	-	89,663
At 31 December 2022	39,117	226,212	-	-	265,329
Charge for the year	12,910	102,663	-	98,492	214,065
At 31 December 2023	**52,027**	**328,875**	**-**	**98,492**	**479,394**
Net book value					
At 31 December 2023	**38,129**	**145,568**	**59,851**	**6,735,200**	**6,978,748**
At 31 December 2022	23,039	170,580	-	1,955,208	2,148,827

14. LEASES

The Group leases agricultural land in Cornwall as well as motor vehicles for use in its day-to-day operations. These leases comprise only fixed payments over the lease term.

Right of use assets	**Motor vehicles**	**Property**	**Total**
	£	**£**	**£**
At 1 January 2022	22,232	-	22,232
Additions	11,733	-	11,733
Amortisation charge in the year	(12,137)	-	(12,137)
31 December 2022	21,828	-	21,828
Additions	**37,352**	**725,757**	**763,109**
Amortisation charge in the year	**(28,785)**	**(30,861)**	**(59,646)**
31 December 2023	**30,395**	**694,896**	**725,291**

Lease liabilities	**Motor vehicles**	**Property**	**Total**
	£	**£**	**£**
At 1 January 2022	16,979	-	16,979
Additions	11,733	-	11,733
Interest expense	1,432	-	1,432
Lease payments	(12,366)	-	(12,367)
31 December 2022	17,778	-	17,778
Additions	**38,177**	**725,757**	**763,934**
Interest expense	**3,125**	**21,585**	**24,710**
Lease payments	**(35,389)**	**(30,693)**	**(66,082)**
31 December 2023	**23,691**	**716,649**	**740,340**
Split between:			
Non-current	2,737	598,413	**601,150**
Current	20,954	118,236	**139,190**

14. LEASES (CONTINUED)

The maturity analysis of amounts payable under finance leases is provided below:

As at 31 December 2023

	Up to 12 months	Between 1 and 3 years	Between 3 and 7 years	Total
Lease payments	190,973	432,916	373,813	997,702
Interest	(67,407)	(145,225)	(44,730)	(257,362)
	123,566	**287,691**	**329,083**	**740,340**

As at 31 December 2022

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Total
Lease payments	2,922	8,422	7,829	19,173
Interest	(371)	(770)	(254)	(1,395)
	2,551	**7,652**	**7,575**	**17,778**

The total cash outflow during 2023 in relation to finance leases accounted for under IFRS 16 was £66,081 (2022: £12,366). The cash outflow during the year in relation to short term and low value leases was £49,277 (2022: £51,269).

15. ASSETS HELD FOR SALE

Assets held for sale comprises the following:

	2023 **£**	2022 £
Property, plant and equipment held for sale	**58,800**	-
Financial asset: Australian listed equity securities measured at fair value through profit or loss	-	677,583
	58,800	677,583

15. ASSETS HELD FOR SALE (CONTINUED)

The movements in assets held for sale are summarised in the table below:

	Financial asset	Property, plant & equipment	Total
	£	£	£
At 1 January 2022	-	-	-
Additions	1,411,003	-	1,411,003
Disposals	(595,806)	-	(595,806)
Fair value movements	(123,193)	-	(123,193)
Foreign exchange movements	(14,421)	-	(14,421)
At 31 December 2022	677,583	-	677,583
Additions	**-**	**250,669**	**250,669**
Fair value movements	**(246,097)**	**-**	**(246,097)**
Foreign exchange movements	**(35,804)**	**-**	**(35,804)**
Disposals	**(395,682)**	**(191,869)**	**(587,551)**
31 December 2023	-	**58,800**	58,800

During the year ended 31 December 2023

On 9 May 2023 the Group completed the disposal of its shareholding in Lepidico Limited for a total consideration of £395,682. Prior to disposal, the Group recognised a fair value loss of £246,097 which was included in administrative expenses in the Statement of Comprehensive Income.

During the year ended 31 December 2022

Australian listed equity securities consist of shares held in Lepidico Limited. The derivative financial asset represents the purchase warrants for 100 million shares in Lepidco at a price per share of AUD$0.016. The purchase warrants were issued on 8 December 2020 in relation to the Lepidico licensing agreement. The expiry date of the warrants was 8 December 2022.

The warrants were valued using the Black Scholes model. The key assumptions used in the initial valuation of the warrants are the annualised volatility which has been taken as 60% and the interest rate applied is based off of a ten-year Government bond from the date of grant at 1.013% as a risk-free rate proxy.

During the year ended 31 December 2022 the Group exercised these warrants to purchase 100 million ordinary shares in Lepidico. This exercise occurred in two tranches. The first tranche of 25 million shares were purchased on 4 April 2022. The Lepidico share price on the date of exercise was AU$0.040. The shares were subsequently sold at a weighted average price of AU$0.0352 generating a loss on disposal of £101,307.

On 10 October 2022, the Group exercised its remaining warrants to purchase a further 75 million Lepidico shares. The Lepidico share price on the date of exercise was AU$0.019.

Prior to each exercise the derivative financial asset was revalued to fair value using the Black Scholes model which was updated for the prevailing Lepidico share price on the date of exercise. The Group recognised fair value losses of £852,864 which arose as a result of fluctuations in the underlying spot price of Lepidico Limited shares prior to exercise of the warrants.

16. OTHER RECEIVABLES

	2023	2022
	£	£
Current receivables		
Other receivables	**2,012,422**	792,650
Prepayments and accrued income	**1,098,269**	722,846
Tax receivable	**399,733**	625,726
	3,510,424	2,141,222

Other receivables include VAT receivable of £1,620,164 (2022: £563,811), £162,615 (2022: £162,615) receivable from former holders of nil-paid shares, £178,873 of receivables due from the sale of fixed assets, and £50,770 (2022: £50,000) of miscellaneous receivables including returnable supplier deposits. Management considers all amounts receivable to be fully recoverable.

17. TRADE AND OTHER PAYABLES

	2023	2022
	£	£
Current payables		
Trade payables	**1,338,972**	919,268
Accruals	**1,996,120**	208,155
Accrued preference share dividends	**463,998**	-
Other payables	**46,636**	-
Total financial liabilities, excluding borrowings, classified as financial liabilities measured at amortised cost	**3,845,726**	1,127,423
Other payables - tax and social security payments	**398,326**	554,360
Corporation tax	**68,000**	-
Trade and other payables	**4,312,052**	1,681,783

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

18. BORROWINGS

On 26 June 2023 the Group issued US$7,000,000 10% fixed rate unsecured convertible loan notes at a price of $1 per note. The notes were convertible into ordinary shares at a price of £0.20 per ordinary share. This convertible loan note, together with any accumulated interest was cancelled on 14 September, with the outstanding balance converted into Class C convertible redeemable preference shares (see below).

On 14 September 2023 the Group issued 4 classes (A-D) of convertible redeemable preference shares denominated in USD as part of a $68.5m funding agreement. The Group will issue the preference shares in stages as funds are required. At the inception date of the agreement the Group issued 76,369,804 preference shares amounting to $19,129,000. The preference shares are convertible into ordinary shares in the parent company at a price of £0.20 per ordinary share which is based on the market price per share at the date of issue of the preference shares.

The shares are convertible and redeemable at any point from 1 January 2024 until the successful commissioning of a mining operation or a change in control of the Group. After this point the preference shares automatically convert into ordinary shares. The number of ordinary shares to be issued is therefore dependent on the GBP/USD exchange rate on the date of conversion. Preference shares A and C are entitled to dividends at a rate of 5% + SOFR. Preference shares B and D are entitled to dividends at a rate of 5% + SONIA. The dividend rate of all classes of preference shares are subject to a floor of 8.5% and a cap of 12%. On the anniversary of the issue of the preference shares the Group can opt to pay accrued dividends in kind (PIK) rather than in cash at an additional rate of 2% on the non-PIK rate.

The convertible preference shares are recognised as liabilities because they were issued in a currency other than the functional currency of the Group and allow the holder a contractual right to receive a variable number of the parent company's shares. The financial liability has been split between the debt component and the combined fair value of the conversion option and associated embedded derivatives. These amounts are presented in the statement of financial position as follows:

	2023 **£**	2022 £
Face value of preference shares issued	**10,107,480**	-
Transaction costs	**(2,217,357)**	-
Amortisation of transaction costs recognised as a finance cost	**172,905**	-
Carrying value of redeemable convertible preference shares	**8,063,028**	-
Other derivative financial liabilities - value of conversion option and other embedded derivatives of the above (see note 19)	**4,889,587**	-
Total balance sheet liability relating to convertible preference shares	**12,952,615**	-

The initial fair value of the debt portion of the instrument was determined by an independent third party to be equal to the transaction price on the basis that the agreements were made on an arm's length basis.

The difference between the carrying value and the fair value of the debt portion of the redeemable preference shares is summarised below:

	2023		2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£	**£**	£	£
Redeemable convertible preference shares:				
Debt portion - gross of transaction costs (see note 18)	**10,107,480**	**15,484,117**	-	-

19. DERIVATIVE FINANCIAL LIABILITIES

Derivative financial liabilities consist of the conversion option and associated embedded derivatives relating to the convertible redeemable preference shares (see note 18). These financial liabilities are designated at fair value through profit or loss at initial recognition (see note 20). In contrast, the loan element of the agreement is measured at amortised cost and is therefore presented separately to the derivatives.

On 14 September 2023 the Group issued warrants in conjunction with the issue of redeemable convertible preference shares (see note 24 for further details). These have been deemed to be separate instruments to the preference shares that do not impact the value of the debt host, conversion option or associated embedded derivatives. The warrants act as an anti-dilution feature in which their exercise depends on down round financing. As such they would have an undefined vesting period which is defined by a future equity financing and hence, the valuation for these would be entirely based on management assumptions which cannot be modelled. Therefore, no value has been assigned to these warrants.

The Group holds no derivative financial assets or liabilities designated as hedging instruments.

The embedded derivatives relating to the convertible redeemable preference shares are presented as a single item on the basis that it is impracticable to assign a separate value to each component.

	2023 **£**	2022 £
Derivative financial liability measured at fair value through profit or loss:		
Conversion option and associated embedded derivatives of redeemable convertible preference shares	**4,889,587**	-
	4,889,587	-

20. FAIR VALUE

The Group holds derivative financial liabilities that are recognised and measured at fair value in the financial statements (see note 19).

The significant inputs that feed into the fair value calculation are not based on observable market data, as they relate to unlisted equity securities. These financial liabilities are therefore classed as Level 3 on the fair value hierarchy.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 31 December 2023. There were no level 3 items during the prior period.

	Preference share conversion option and associated embedded derivatives **£**
At 1 January 2023	**-**
Additions	**5,016,551**
Fair value gain recognised in finance income in the statement of comprehensive income	**(82,501)**
Foreign exchange differences	**(44,463)**
At 31 December 2023	**4,889,587**

20. FAIR VALUE (CONTINUED)

The fair value gain above does not include material amounts arising as a result of changes in the Group's own credit risk. The Group determines the amount of fair value changes which are attributable to credit risk by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the conversion option and associated embedded derivatives. Market conditions which give rise to market risk include changes in equity volatility and changes in the benchmark interest rate.

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Company's own credit risk, as the changes in factors contributing to the fair value of the conversion option and associated embedded derivatives other than changes in volatility and the benchmark interest rate are not deemed to be significant.

	2023 **£**
Carrying amount consisting of:	
Borrowings - carried at amortised cost	8,063,028
Conversion option and associated embedded derivatives - carried at FVTPL	4,889,587
	12,952,615
Amount the Group is contractually obligated to pay to holders of the convertible preference shares should they be redeemed prior to automatic conversion into ordinary shares	**15,124,031**
Difference between carrying amount and the amount the Group is contractually obligated to pay to holders of the convertible preference shares should they be redeemed prior to automatic conversion into ordinary shares	**2,171,416**

All fair value gains relate to unrealised amounts recognised in profit or loss attributable to balances held at the end of the reporting period. There were no transfers between levels in the fair value hierarchy during either period.

Valuation inputs and relationships to fair value

The most significant unobservable input used in the calculation of fair value of the preference share conversion option and associated embedded derivatives was equity volatility, since the Group's shares are not publicly traded. Equity volatility was therefore derived by analysing the equity volatility of comparable companies. The selection of comparable companies was based on various factors including financial conditions, operating performance and industry presence. Specifically, a focus was placed on companies within the mining industry that operated in lithium exploration and production and were publicly traded in the Western Europe region. From this, an average five-year rolling volatility of 99.2% was derived and utilised in the fair value calculation.

A movement of +/- 10% in equity volatility would result in a fair value increase/decrease of £1,520,040.

Valuation processes

The Group uses an appropriately qualified and resourced independent third party to perform the valuation of the conversion option and associated embedded derivatives. A report is provided to the Group's finance team which is discussed with the chief financial officer, the audit committee and the independent valuer on an annual basis, in line with the Group's reports.

21. SHARE CAPITAL AND SHARE PREMIUM

	2023 £	2022 £
Allotted, called up and fully paid		
620,384,718 (2022 - 592,803,561 of £0.0001) Ordinary Shares of £0.0001 each.	**62,038**	59,280
1 A share of £1 each	**1**	1
	62,039	59,281

The movement in ordinary share capital and share premium during the year can be summarised as follows:

	Shares No.	Par value £	Strike price £	Share capital £	Share premium £
At 1 January 2022	534,269,495	0.000001	-	534	25,396,310
Issue of ordinary shares - 14 January 2022	1,111,604	0.000001	0.13500	1	150,065
Issue of ordinary shares – 4 April 2022	7,731,900	0.000001	0.05315	8	410,943
Issue of ordinary shares – 6 April 2022	740,740	0.000001	0.13500	1	99,999
Issue of ordinary shares – 8 April 2022	4,727,600	0.000001	0.05315	5	251,261
Bonus issue – 20 June 2022	54,309,552,561	0.000001	0.00001	54,310	-
Share consolidation – 20 June 2022	(54,309,552,561)	0.000001	-	(97)	(26,037,501)
Cancellation of ordinary shares - 20 June 2022	(3,000,000)	0.000001	0.09036	(3)	(271,077)
Issue of ordinary shares – 23 June 2022	45,000,000	0.0001	0.20000	4,500	8,995,500
Issue of ordinary shares – 29 June 2022	222,222	0.0001	0.00010	22	-
At 31 December 2022	592,803,561	0.0001	0.66677	59,281	8,995,500
Issue of ordinary shares - 18 January 2023	822,504	0.0001	0.20000	82	164,419
Issue of ordinary shares - 31 August 2023	75,000	0.0001	0.20000	8	14,993
Issue of ordinary shares - 14 September 2023	1,814,560	0.0001	0.00010	181	-
Issue of ordinary shares - 20 October 2023	24,397,557	0.0001	0.20000	2,440	4,854,939
Exercise of employee share options	134,036	0.0001	0.13500	13	18,081
Exercise of employee share options	337,500	0.0001	0.04683	34	15,771
At 31 December 2023	**620,384,718**	**0.0001**		**62,039**	**14,063,703**

The following rights are attached to the A share:

The A Ordinary Share is entitled to 10% of any distribution of profits. On a return of capital on a sale, liquidation, capital reduction or otherwise the A Ordinary share is entitled to 10% of the surplus assets of the Company remaining after payment of its liabilities.

The A Ordinary Shares do not entitle the holders thereof to receive copies of any written resolutions, receive notices of any general meetings, nor vote on any such resolution or at any such meeting. The Company shall, however, supply to the holders of A Ordinary Shares all information and documents necessary to allow proper consideration to be given over a reasonable period of time to any proposed transaction or matter upon which A Ordinary Shareholder Consent, as defined in the Company's articles of association, is sought. The holders of the Ordinary Shares have one vote in respect of each Ordinary Share held.

22. RESERVES

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Share options reserve

The share options reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Retained earnings

Retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

Market risks:

- Foreign exchange risk
- Equity risk
- Cash flow interest rate risk

Other risks:

- Credit risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

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

- Borrowings
- Derivative financial liabilities
- Cash and cash equivalents
- Trade and other payables
- Held for trading financial asset

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

Financial instruments by category

Financial assets	As at 31 December			
	Fair value through profit or loss	**Amortised cost**	Fair value through profit or loss	Amortised cost
	2023	**2023**	2022	2022
Group	**£**	**£**	£	£
Current assets as per the Statement of Financial Position				
Other receivables excluding prepayments	-	**2,412,155**	-	1,418,376
Cash and cash equivalents	-	**6,887,007**	-	8,105,712
Held for sale financial asset	-	**-**	677,583	-
Total financial assets	**-**	**9,299,162**	677,583	9,524,088

Financial liabilities	As at 31 December			
	Fair value through profit or loss	**Amortised cost**	Fair value through profit or loss	Amortised cost
	2023	**2023**	2022	2022
	£	**£**	£	£
Non-current liabilities as per the Statement of Financial Position				
Redeemable preference shares	**-**	**8,063,028**	-	-
Derivative financial liabilities	**4,889,587**	**-**	-	-
Lease liabilities - payable in more than 1 year	**-**	**601,150**	-	7,575
Non-current liabilities as per the Statement of Financial Position	**4,889,587**	**8,664,178**	-	7,575
Current liabilities as per the Statement of Financial Position				
Trade and other payables - payable within 1 year	**-**	**3,845,726**	-	1,681,783
Lease liabilities - payable within 1 year	**-**	**139,190**	-	10,203
Current liabilities as per the Statement of Financial Position	**-**	**3,984,916**	-	1,691,986
Total financial liabilities	**4,889,587**	**12,649,094**	**-**	**1,699,561**

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, other receivables, trade and other payables, and lease liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, other receivables and trade and other payables approximates to their fair value.

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

Financial instruments measured at fair value

Financial instruments measured at fair value include held for trading financial assets and derivative financial liabilities.

The fair value movement recognised in the profit or loss for the year totalled £246,097 of losses in relation to the held for sale financial assets (included within administrative expenses) (2022: losses of £123,193) and £82,501 of gains in relation to fair value movements in the derivative financial liability (2022: £nil) which were recognised as finance income in the Statement of Comprehensive Income. In the prior year, fair value losses of £852,864 on derivative financial assets were recognised. These losses were included within finance expense in the Statement of Comprehensive Income.

There were no transfers between levels during the year.

There were no changes to the valuation techniques during the year.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's risk, development plans, competitiveness and flexibility. Further details regarding these policies are set out below:

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate

because of changes in market factors. These factors include:

Foreign currency risk

The Group is exposed to foreign exchange risk, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the parent company and its subsidiaries.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in GBP, was as follows:

	31 December 2023			31 December 2022		
	USD	**EUR**	**AUD**	USD	EUR	AUD
	£	**£**	**£**	£	£	£
Cash and cash equivalents	**899,084**	**-**	-	-	-	-
Borrowings - convertible preference shares	**10,107,480**	**-**	-	-	-	-
Derivative financial liabilities	**4,889,587**	**-**	-	-	-	-
Accrued dividends payable on convertible preference shares	**463,998**					
Trade payables	**185,875**	**3,824**	-	-	-	2,624
Financial asset - investment held for sale	**-**	**-**	-	-	-	677,583

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

The aggregate net foreign exchange gains recognised in administrative expenses in the statement of comprehensive income were £22,260 (2022: £97,057).

Management mitigates foreign currency risk by holding cash balances in both GBP and USD with AAA rated or investment-grade financial institutions. It is management's view that the convertible preference shares are highly unlikely to be redeemed prior to conversion, meaning that any foreign exchange gains or losses remain unrealised.

A 5% increase or decrease in the USD/GBP exchange rate would result in additional unrealised gains/(losses) of £618,111/(£683,175) being recognised in profit or loss.

Equity risk

The Group is reliant on funding itself through the issuance of its common equity and preference shares. The market value of this equity is based on, amongst several other factors, the price of lithium, macro-economic factors, inflation, the progress of the electric vehicle uptake, supply and demand for lithium, mineral extraction industry sentiment and environmental and social concerns which the Group has no control over.

The convertible preference shares are denominated in USD, meaning that the total number of ordinary shares to be issued on conversion will depend on the USD/GBP exchange rate at the date of conversion.

Cash flow interest rate risk

The Group's main interest rate risk arises from the dividends payable on the convertible redeemable preference shares, which are classified as financial liabilities. Dividends are based on a floating rate based on either SONIA or SOFR, subject to floor of 8.5% and a cap of 12%.

To mitigate this risk, the Group is contractually allowed to elect to settle the dividend by issuing additional convertible preference shares rather than by paying cash, subject to an additional 2% dividend being applied.

A 2% increase or decrease in SONIA or SOFR would increase/(decrease) finance costs by £322,061/(£346,851).

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. The Group's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2023 and 31 December 2022.

A credit-related impairment is recognised if and only 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 that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

As at 31 December 2023 and 31 December 2022 the Group had no receivables past due.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

23. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by ensuring that it has adequate cash resources and financing arrangements in place. This is achieved by close monitoring of cash positions and monthly cash flow forecasting. The Group's requirement for further funding as at the date of signing this report and the methods management has employed to monitor and forecast cash flows are detailed further in note 2.5.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

		As at 31 December 2023		
	Up to 12 months	**Between 1 and 3 years**	**Between 3 and 7 years**	**Total**
Trade and other payables	**4,312,052**			**4,312,052**
Lease liabilities	**123,567**	**287,692**	**329,081**	**740,340**
	4,435,619	**287,692**	**329,081**	**5,052,392**

		As at 31 December 2022		
	Up to 12 months	Between 1 and 3 years	Between 3 and 7 years	Total
Trade and other payables	1,681,783	-	-	1,681,783
Lease liabilities	10,203	7,575	-	17,778
	1,691,986	7,575	-	1,699,561

Contractual cash flows in relation the convertible redeemable preference shares have been excluded from the above on the basis that the Group can elect to settle dividends through the issuance of new convertible preference shares, rather than in cash.

Capital management

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern while pursuing exploration and developments.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

24. SHARE-BASED PAYMENTS

Share option scheme

Cornish Lithium Plc operates equity settled share-based remuneration schemes for its employees and consultants. There are no market or non-market based, performance related vesting conditions.

Some of the options have vested immediately while others vest over a vesting period of three or four years. The right to exercise options expires ten years after the grant date. The weighted average remaining contractual life of outstanding options as at 31 December 2023 was 8.6 years (2022: 8.5 years).

	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
	2023	**2023**	2022	2022
Outstanding at the beginning of the year	**0.09119**	**30,732,200**	0.0533	15,432,200
Granted during the year	**0.14480**	**14,310,000**	0.1320824	15,300,000
Exercised during the year	**0.07190**	**(471,536)**	-	-
Lapsed during the year	**0.04840**	**(1,652,500)**	-	-
Outstanding at the end of the year	**0.11358**	**42,918,164**	0.0911902	30,732,200
Exercisable at the end of the year	**0.10460**	**16,663,164**	0.1008503	11,402,200

Exercisable options remain exercisable until the employees or consultants cease working with the Company, or 10 years from option grant, whichever is shorter.

The Company is unable to directly measure the fair value of employee services remunerated via share option schemes and so has used the Black-Scholes option pricing model to determine the fair value of the instruments awarded. The key assumption used in the valuation of the options granted during the year is the annualised volatility which has been taken as 50% (2022: 50%) and the interest rate applied is based off of a ten-year government gilt from the date of grant of 4.571% (2022: ranging from 0.221% to 2.585%).

The exercise price of options granted during the year was determined with reference to prices paid by external investors in recent funding rounds. The weighted average fair value per share of share options granted during the year was £0.151 (2022: £0.056).

Share-based payment charge for the year

The amount included in the Consolidated Statement of Comprehensive Income as an administrative expense in respect of share-based payments arising from employee share options is as follows:

	2023 £	2022 £
Equity settled schemes charge for the year	**1,003,498**	610,373

24. SHARE-BASED PAYMENTS (CONTINUED)

Warrants

Cornish Lithium Plc operates an equity warrant instrument scheme for certain directors and major shareholders. There are no vesting conditions. All such warrants were exercised in April 2022.

On 14 September 2023 the Group issued new warrants to investors in conjunction with the issue of redeemable convertible preference shares (see notes 18 and 19). Warrant holders are able to subscribe for a maximum of 81.4 million ordinary shares which are only exercisable in the event of a dilution in the value of their investment (a "down round"). The warrants will expire on conversion or redemption of the preference shares. In addition, on the same day, the Group issued further warrants to the same investors to subscribe for 51.6m ordinary shares at nominal value in the event of a second tranche of funding worth $210m being agreed.

Further to the Company's announcement on the 25 November 2021 whereby it had entered a transaction with TechMet for an £18,000,000 funding package and the Company's announcement dated 24 June 2022 which confirms the exercise of TechMet's second tranche, the Company has issued warrants to TechMet granting them the right but not the obligation to subscribe for 13,500,000 ordinary shares at nominal value upon the sooner of the Company becoming listed on a stock exchange or the procurement of financing that permits the construction of any project. The warrants will expire unexercised within 3 years if neither condition occurs.

There was no charge included in either period in the Consolidated Statement of Comprehensive Income in relation to warrants in issue.

25. RELATED PARTY TRANSACTIONS

Key management personnel include all directors and senior management across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group (inclusive of employer national insurance contributions) was £1,544,770 (2022: £1,108,691).

A total of 3.95 million share options were awarded to 3 key management personnel, 2 of whom were directors during 2023 (2022: 4.5 million share options issued to 2 key management personnel, one of whom was a director). The options have an exercise price of £0.0001 per share (2022: £0.135 per share) and vest over a 3-year period (2022: 4-year period) from the date of grant.

No directors or senior management exercised warrants to purchase shares during 2023. (2022: three directors exercised warrants to purchase a total of 3.25 million ordinary shares at £0.05315 per share).

During the year, the Group incurred costs totalling £nil (2022: £90,000) from related parties in which a director was the sole director and shareholder.

26. BUSINESS COMBINATIONS

There were no business combinations during 2023.

In the prior year, on 28 March 2022, Cornish Lithium Plc increased its shareholding in Geocubed Limited, a company incorporated in England and Wales, by 10% to 100%. As a result of this, a reserves transfer between retained earnings and NCI has been recognised.

27. COMMITMENTS

As at 31 December 2023, the Group had the following commitments under non-cancellable operating leases that are outside the scope of IFRS 16. The costs associated with these leases are capitalised as intangible exploration and evaluation assets as permitted by IFRS 6.

	2023	2022
Within 12 months	**350,000**	250,000
1-2 years	**350,000**	250,000
2-5 years	**891,667**	650,000
5-10 years	**1,000,000**	1,000,000
11-20 years	**2,000,000**	2,000,000
20+ years	**1,766,667**	1,966,667
	6,358,334	6,116,667

The Group had also made capital expenditure commitments to purchase exploration and evaluation assets with a total value of £626,316 (2022: £3,051,349). These items have not been recognised as liabilities as at the Statement of Financial Position date.

28. EVENTS AFTER THE REPORTING PERIOD

On 20 February 2024 the Group issued 80,764,442 convertible redeemable preference shares amounting to US$20,499,950. This formed the second issuance as part of the $68.5m funding agreement made on 14 September 2023 (see note 18 for further details).

PARENT COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Non-current assets			
Investments	*3*	**1,997**	11,997
Intangible assets	*4*	**14,226,367**	11,514,218
Property, plant and equipment	*5*	**3,603,453**	611,220
Right of use assets	*6*	**30,395**	21,828
		17,862,212	12,159,263
Current assets			
Assets held for sale	*7*	**-**	677,583
Other receivables	*8*	**12,337,411**	5,371,531
Cash and cash equivalents		**6,446,698**	7,435,140
		18,784,109	13,484,254
Total assets		**36,646,321**	25,653,517
Current liabilities			
Lease liabilities - current	*6*	**(20,954)**	(10,203)
Trade and other payables	*9*	**(2,661,536)**	(1,408,129)
		(2,682,490)	(1,418,332)
Non-current liabilities			
Borrowings	*10*	**(8,063,028)**	-
Derivative financial liabilities	*11*	**(4,889,587)**	-
Lease liabilities	*6*	**(2,737)**	(7,575)
Total liabilities		**(15,637,843)**	(1,425,907)
Net assets		**21,008,477**	24,217,610
Issued capital and reserves attributable to owners of the parent			
Share capital		**62,039**	59,281
Share premium		**14,063,702**	8,995,500
Share option reserve		**2,193,277**	1,189,779
Retained earnings		**4,689,459**	13,973,050
Total equity		**21,008,477**	24,217,610

As permitted by section 408 of Companies Act 2006, a separate statement of comprehensive income for the Company has not been included in these financial statements. The Company's total comprehensive loss for the year ended 31 December 2023 was £9,283,591 (2022: total comprehensive loss of £7,223,520).

The accompanying notes form an integral part of these Company financial statements.

The financial statements were approved by the Board of Directors, authorised for issue on 5 June 2024 and were signed on its behalf by:

V B Gokool
Director
Registered number: 10205021

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Share premium	Share option reserve	Retained (deficit)/earnings	Total equity
	£	£	£	£	£
At 1 January 2022	**535**	**25,396,310**	**579,406**	**(4,967,437)**	**21,008,814**
Comprehensive loss for the year					
Loss for the year	-	-	-	(7,223,520)	(7,223,520)
Contributions by and distributions to owners					
Issue of ordinary and bonus shares	58,846	9,853,458	-	-	9,912,304
Cancellation of share premium	-	(26,164,007)	-	26,164,007	-
Cancellation of nil paid shares	(100)	(90,261)	-	-	(90,361)
Share-based payment expense	-	-	610,373	-	610,373
At 31 December 2022	**59,281**	**8,995,500**	**1,189,779**	**13,973,050**	**24,217,610**
Comprehensive loss for the year					
Loss for the year	-	-	-	(9,283,591)	(9,283,591)
Contributions by and distributions to owners					
Issue of ordinary and bonus shares	2,758	5,068,202	-	-	5,070,960
Share-based payment expense	-	-	1,003,498	-	1,003,498
At 31 December 2023	**62,039**	**14,063,702**	**2,193,277**	**4,689,459**	**21,008,477**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION

The annual financial statements of Cornish Lithium Plc (the Parent Company Financial Statements) have been prepared in accordance with Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The financial statements have been prepared on a historical cost basis, except for the following items certain financial assets measured at fair value through profit or loss, details of which can be found in the relevant accounting policy.

All amounts are presented in pounds sterling, which is also the Company's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

1.2. DISCLOSURE EXEMPTIONS ADOPTED

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by UK endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel, and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value), and
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

There were no other material amendments to the disclosure requirements previously applied in accordance with UK endorsed IFRS. The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

1.3. GOING CONCERN

The Financial Statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company and its subsidiaries (the "Group") are still in the exploration and evaluation stage of its development and is reliant on equity funding to finance its test work, development plans and operations including capital expenditure required to construct any of its development projects. The Group's projects are still in the early stages of development with new, highly innovative and unproven technologies being developed to execute its business plan. There can be no assurance that the scale up of these technologies will be successful in the commercial context of the Group.

1. ACCOUNTING POLICIES (CONTINUED)

1.3. GOING CONCERN (CONTINUED)

As at 31 May 2024, the Group held cash and cash equivalents of £14.0m with access to further funding of $28.8m (c.£22.5m).

The Board has reviewed and challenged the completeness and accuracy of the Group's financial projections for the next 12 months. This review included the Group's current development plans and expenditures, forecast fixed overheads, commitments and existing cash resources which will be used to fund these expenditures. Based on this review, the Board is satisfied that the Group is able to meet its commitments for a period of at least 12 months from the date these accounts were signed.

Based on the above, the Board, at the time of approving these Financial Statements, have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and has adopted the going concern basis of accounting in preparing these Financial Statements.

1.4. INTANGIBLE ASSETS

Externally acquired intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is charged over the useful lives of any intangible fixed assets and has been assessed as follows:

Patents and licences	-	Straight-line basis over 15 years
Computer software	-	Straight-line basis over 3 years
Exploration and evaluation costs	-	No amortisation is charged in the exploration and evaluation phase

1. ACCOUNTING POLICIES (CONTINUED)

1.5. OTHER INTANGIBLE ASSETS

Exploration and evaluation costs

During the initial stage of a project, exploration costs are expensed in the Statement of Comprehensive Income as incurred. Exploration expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale or where the exploration activities have not reached a stage that permits a reasonable assessment of the existence of reserves, are capitalised and recorded on the balance sheet within exploration and evaluation assets for mining projects at the exploration stage. Capitalised evaluation and exploration costs are classified as tangible or intangible assets based on the nature of the expense.

Intangible exploration and evaluation expenditure comprises costs directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation assets are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made. Exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project that is when a bankable feasibility study is obtained, and project finance is in place.

Mine development costs within property, plant and equipment are depreciated or amortised when commercial production of lithium begins. Tangible exploration and evaluation assets are depreciated when they are deemed to be consumed as part of the exploration and evaluation phase of a project. The depreciation charge on these assets is then capitalised as an intangible exploration and evaluation asset.

The Company has concluded four key exploration agreements for defined areas within Cornwall and continues to negotiate further exploration agreements. The four exploration agreements entered into by the Company grant the Company exclusive licenses to explore for Lithium, other minerals and geothermal energy contained within liquid brines and, in the case of one of the agreements, host hard-rock within the respective defined exploration areas. The exploration licenses are renewable on an annual basis for no less than ten additional years and subject to an annual payment which is payable in shares in the capital of the Company or, in certain circumstances, cash.

Each exploration license further grants the Company an option to enter into an agreed form 99 year mining lease which affords the Company the right to extract and process minerals from the liquid brine and to utilise geothermal energy from the respective defined land areas once planning permission for the same has been granted. Each lease contains an agreed royalty payment based on gross revenue attributable to sales of the minerals and geothermal energy covered by the respective mining lease. Each of the mining leases grant the Company the right to enter the land insofar as the surface is owned by the counter party to the licensing agreement. To the extent that the surface is owned by a third party, the Company would need to negotiate access rights to develop any mining project. To date, the Company has not exercised its option to enter into any of the mining leases as it continues to evaluate the minerals within each of the respective exploration licenses.

1. ACCOUNTING POLICIES (CONTINUED)

1.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. The cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Right of use assets	-	over the life of the lease
Plant and machinery	-	3-5 years straight line
Computer equipment	-	3 years straight line
Exploration and evaluation assets	-	not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Tangible exploration and evaluation assets are only depreciated when they are consumed as part of the exploration and evaluation phase of a project.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.7. FINANCIAL ASSETS

Financial assets within the scope of IFRS 9 are classified as fair value through profit or loss, fair value through other comprehensive income or at amortised cost.

The Company currently holds no financial assets held at fair value through other comprehensive income. The Company determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Amortised cost

This category of financial asset incorporates financial assets where the objective is to hold the asset in order to collect contractual cash flows and the contractual cash flo ws are solely payments of principal and interest. Assets in this category include other receivables such as refundable deposits paid to suppliers, amounts owed by subsidiary undertakings and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

As the Company is currently pre-revenue, it does not hold financial assets arising principally from the provision of goods and services to customers (e.g. trade receivables).

For other receivables, at each year-end, the Company assesses whether the credit risk on financial assets has increased significantly since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance for financial assets at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since initial recognition or for credit impaired financial assets, the Company measures the allowance account for the financial assets at an amount equal to the lifetime expected credit losses.

1. ACCOUNTING POLICIES (CONTINUED)

1.7. FINANCIAL ASSETS (CONTINUED)

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Fair value through profit or loss

This category comprises in-the-money and out-of-money derivatives which are not designated as hedging instruments and held for trading equity investments. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. The Company does not voluntarily classify any financial assets as being at fair value through profit or loss.

1.8. FINANCIAL LIABILITIES

Classification of hybrid financial instruments

The Company has issued redeemable convertible preference shares which are classed as financial liabilities. These liabilities represent a hybrid financial instrument consisting of a debt host together with a conversion option and associated embedded derivatives attached to each agreement.

The element of the agreements that relate to the debt host and any closely related derivates are initially recognised at fair value less transaction costs and subsequently carried at amortised cost.

The conversion option and associated embedded derivatives that are not deemed to be closely related to the debt host have been separated out from the host contract. These elements are initially recognised at fair value and subsequently measured at fair value through profit or loss (FVTPL).

Financial liabilities carried at amortised cost

These financial liabilities include borrowings, trade and other payables and finance lease liabilities. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial liabilities carried at FVTPL

These financial liabilities comprise of derivatives relating to the conversion option and associated embedded derivatives on convertible redeemable preference shares. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. None of the derivative contracts entered into by the Company are designated as hedging instruments. As such, any changes in the fair value of the derivative instruments is recognised immediately in profit or loss. Gains are included in finance income, losses are included in finance expense.

1. ACCOUNTING POLICIES (CONTINUED)

1.9. LEASES

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Company obtains substantially all the economic benefits from use of the asset; and
(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

Land and property leases directly related to exploration and evaluation activities are accounted for under IFRS 6, whereby rental costs are capitalised as intangible exploration and evaluation assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The Company does not hold any leases in which this rate can not be readily determined.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease, and
- initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Leases held by the Company which are within the scope of IFRS 16 all relate to vehicles with typical lease terms of between 2 and 4 years. These leases comprise only fixed payments over the lease terms.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low- value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Low value-leases are considered to be all leases where the individual value of the underlying assets is below £5,000, or where the lease is equal to or shorter than one year.

1. ACCOUNTING POLICIES (CONTINUED)

1.10. TAXATION

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

1. ACCOUNTING POLICIES (CONTINUED)

1.11. GRANTS

The amounts represented in other operating income relate to grants provided by external parties in order to assist with the funding of the Company. Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions related to them and that the grants will be received.

Grants related to income are recognised in the statement of comprehensive income on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. They are either offset against the related expense or presented as income, either separately or under a general heading such as ‘other income’. The timing of such recognition in the statement of comprehensive income will also depend on the fulfilment of any conditions or obligations attaching to the grant.

Government grants received in relation to capitalised exploration and evaluation assets are netted off against the carrying value of the exploration and evaluation asset.

Government grants that are due to be received after the year end and where the conditions have been met are recognised as accrued income in other receivables.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements:

Recoverability of exploration and evaluation assets

Exploration and evaluation assets include mineral rights and exploration costs, including geophysical, topographical, geological, drilling and geological modelling and similar types of costs. Exploration and evaluation costs are capitalised if management concludes that future economic benefits are likely to be realised and determines that economically viable extraction operation can be established as a result of exploration activities and internal assessment of mineral resources.

IFRS 6: *Exploration for and evaluation of mineral resources*, outlines the potential indicators of impairment to include: management’s plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licenses in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised, which requires significant judgement.

Costs capitalised to exploration and evaluation assets

Judgement is applied in the determination of the type of costs that are capitalised to exploration and evaluation assets as described in the accounting policy note above. Payroll costs that are directly attributable to exploration and evaluation related activities are capitalised.

At 31 December 2023, £12.4m of costs have been capitalised as an intangible exploration and evaluation asset and £3.5m of costs have been capitalised as a tangible exploration and evaluation asset. Management has budgeted the costs for further development of these assets however their recoverability is dependent on future funding.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Accounting policy choice regarding convertible redeemable preference shares

As described in note 2.16, management has made an accounting policy choice to bifurcate the embedded derivatives from the debt host of the convertible redeemable preference shares, which has been classified as financial liability. The debt host is carried at amortised cost less transaction cost, whilst the embedded derivatives are carried at FVTPL.

This choice required management judgement as IFRS 9: Financial Instruments also permits the entire contract (i.e. debt host and embedded derivatives) to be carried at FVPTL, with transaction costs being included in profit or loss.

Had management opted to carry the entire instrument at FVTPL, this would have resulted in additional non-current liabilities and losses of £7,156,859.

Going concern

The directors exercise judgement when concluding on going concern as the basis of preparation of the financial statements.

For further details see note 1.3.

Estimates:

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield. These inputs are based on management estimates at the date of grant.

For the measurement of the fair value of equity settled transactions with employees and contractors at the grant date, the Company uses the Black Scholes model. The weighted average fair value per share of share options granted during the year was £0.151 (2022: £0.056).

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Fair value of derivative financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 20 to the Consolidated Financial Statements.

3. INVESTMENTS

	2023 £
At 1 January 2023	11,997
Disposals	(10,000)
At 31 December 2023	**1,997**

On 31 January 2023 the Company transferred its investment in Cornish Lithium G5 Limited to Cornish Lithium Hard Rock Limited, a subsidiary undertaking for a consideration of £10,000, which equated to book value.

On 28 March 2022, Cornish Lithium Plc increased its shareholding in Geocubed Limited, a company incorporated in England and Wales, by 10% to 100%.

The following were direct subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Geocubed Limited	United Kingdom	Ordinary	100%
Cornish Lithium Geothermal Limited	United Kingdom	Ordinary	100%
Cornish Lithium Land Holdings Limited	United Kingdom	Ordinary	100%
Cornish Lithium Hard Rock Limited	United Kingdom	Ordinary	100%
Ecocopper Cornwall Limited	United Kingdom	Ordinary	100%
Ecometals Cornwall Limited	United Kingdom	Ordinary	100%

The following were indirect subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Cornish Lithium G5 Limited	United Kingdom	Ordinary	100%

The registered office of all direct and indirect subsidiary undertakings is Tremough Innovation Centre, Penryn, Cornwall, United Kingdom, TR10 9TA.

The registered office of all subsidiary undertakings is Tremough Innovation Centre, Penryn, Cornwall, United Kingdom.

The principal activity of Geocubed Limited is to develop and install a pilot plant for direct lithium extraction from deep geothermal brines in the UK.

The principal activity of Cornish Lithium G5 Limited is to develop and operate hard rock lithium projects derived from G5 granite in the St Austell region in Cornwall.

The principal activity of Cornish Lithium Geothermal Limited is to develop and operate lithium projects derived from geothermal brines in Cornwall.

The principal activity of Cornish Lithium Land Holdings Limited is to hold farm business tenancy leases in Cornwall.

The principal activity of Cornish Lithium Hard Rock Limited is to act as a holding company for the Group's companies involved in its hard rock projects

The remaining subsidiary undertakings were dormant as at 31 December 2023.

4. INTANGIBLE ASSETS

	Patents and licences	Exploration and evaluation costs	Computer software	Total
	£	£	£	£
Cost				
At 1 January 2023	**2,269,939**	**9,557,661**	**13,904**	**11,841,504**
Additions	-	2,865,095	-	2,865,095
At 31 December 2023	**2,269,939**	**12,422,756**	**13,904**	**14,706,599**
Amortisation				
At 1 January 2023	**315,269**	**-**	**12,017**	**327,286**
Charge for the year	151,329	-	1,617	152,946
At 31 December 2023	**466,598**	**-**	**13,634**	**480,232**
Net book value				
At 31 December 2023	**1,803,341**	**12,422,756**	**270**	**14,226,367**

5. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Computer equipment	Exploration and evaluation assets	Total
	£	£	£	£
Cost				
At 1 January 2023	**62,156**	**396,792**	**417,602**	**876,549**
Additions	-	77,651	3,091,551	3,169,202
At 31 December 2023	**62,156**	**474,443**	**3,509,153**	**4,045,751**
Depreciation				
At 1 January 2023	**39,117**	**226,212**	**-**	**265,329**
Charge for the year	12,910	102,663	61,396	176,969
At 31 December 2023	**52,027**	**328,875**	**61,396**	**442,298**
Net book value				
At 31 December 2023	**10,129**	**145,568**	**3,447,757**	**3,603,453**

6. LEASES

The Company leases motor vehicles for use in its day-to-day operations. These leases comprise only fixed payments over the lease term.

Right of use assets	**Motor vehicles £**
At 1 January 2022	22,232
Additions	11,733
Amortisation charge in the year	(12,137)
At 31 December 2022	21,828
Additions	**37,352**
Amortisation charge in the year	**(28,785)**
At 31 December 2023	**30,395**

Lease liabilities	**Motor vehicles £**
At 1 January 2022	16,979
Additions	11,733
Interest expense	1,432
Lease payments	(12,366)
At 31 December 2022	17,778
Additions	38,177
Interest expense	3,125
Lease payments	(35,391)
At 31 December 2023	**23,691**

Split between:

Non-current liabilities	2,737
Current liabilities	20,954

7. ASSETS HELD FOR SALE

	2023 £	2022 £
Financial asset: Australian listed equity securities measured at fair value through profit or loss	-	677,583
	-	677,583

During the year ended 31 December 2022

Australian listed equity securities consist of shares held in Lepidico Limited. The derivative financial asset represents the purchase warrants for 100 million shares in Lepidco at a price per share of AUD$0.016. The purchase warrants were issued on 8 December 2020 in relation to the Lepidico licensing agreement. The expiry date of the warrants was 8 December 2022.

The warrants were valued using the Black Scholes model. The key assumptions used in the initial valuation of the warrants are the annualised volatility which has been taken as 60% and the interest rate applied is based off of a ten-year Government bond from the date of grant at 1.013% as a risk-free rate proxy.

During the year ended 31 December 2022 the Company exercised these warrants to purchase 100 million ordinary shares in Lepidico. This exercise occurred in two tranches. The first tranche of 25 million shares were purchased on 4 April 2022. The Lepidico share price on the date of exercise was AU$0.040. The shares were subsequently sold at a weighted average price of AU$0.0352 generating a loss on disposal of £101,307.

On 10 October 2022, the Company exercised its remaining warrants to purchase a further 75 million Lepidico shares. The Lepidico share price on the date of exercise was AU$0.019.

Prior to each exercise the derivative financial asset was revalued to fair value using the Black Scholes model which was updated for the prevailing Lepidico share price on the date of exercise. The Company recognised fair value losses of £852,864 which arose as a result of fluctuations in the underlying spot price of Lepidico Ltd shares prior to exercise of the warrants.

The carrying value of the Company's investment is outlined below.

	£
At 1 January 2023	**677,583**
Fair value movements	(246,097)
Foreign exchange movements	(35,804)
Disposals	(395,682)
At 31 December 2023	**-**

The Company completed the disposal of its investment in Lepidico in May 2023.

8. OTHER RECEIVABLES

	2023 £	2022 £
Current receivables		
Amounts owed by group undertakings	**9,883,866**	3,603,799
Other receivables	**1,227,629**	669,867
Prepayments and accrued income	**826,183**	472,139
Tax receivable	**399,733**	625,726
	12,337,411	5,371,531

Amounts owed by Group undertakings relate to loans payable which bear interest at 5% per annum. All amounts are repayable on demand. During the year ended 31 December 2023, the Company reviewed the outstanding loans due and has booked expected credit losses of £1,266,701 in relation the amounts due (2022: £995,663). These have been included as an administrative expense in the statement of comprehensive income.

Other receivables include of VAT receivable of £874,923 (2022: £441,027), £178,873 (2022: £Nil) of receivables due from the sale of fixed assets, and £162,615 (2022: £162,615) receivable from former holders of nil-paid shares and £11,216 (2022: £50,000) in relation to returnable deposits.

9. TRADE AND OTHER PAYABLES

Current:	2023 £	2022 £
Trade payables	**593,070**	733,912
Accruals	**1,091,505**	198,769
Accrued preference share dividends	**463,998**	-
Other payables	**46,637**	50
Other tax and social security payments	**398,326**	475,398
Corporation tax	**68,000**	-
	2,661,536	1,408,129

10. BORROWINGS

On 26 June 2023 the Company issued US$7,000,000 10% fixed rate unsecured convertible loan notes at a price of $1 per note. The notes were convertible into ordinary shares at a price of £0.20 per ordinary share. This convertible loan note, together with any accumulated interest was cancelled on 14 September, with the outstanding balance converted into Class C convertible redeemable preference shares (see below).

On 14 September 2023 the Company issued 4 classes (A-D) of convertible redeemable preference shares denominated in USD as part of a $68.5m funding agreement. The Company will issue the preference shares in stages as funds are required. At the inception date of the agreement the Company issued 76,369,804 preference shares amounting to $19,129,000. The preference shares are convertible into ordinary shares in the Company at a price of £0.20 per ordinary share which his based on the market price per share at the date of issue of the preference shares.

The shares are convertible and redeemable at any point from 1 January 2024 until the successful commissioning of a mining operation or a change in control of the Company. After this point the preference shares automatically convert into ordinary shares. The number of ordinary shares to be issued is therefore dependent on the GBP/USD exchange rate on the date of conversion. Preference shares A and C are entitled to dividends at a rate of 5% + SOFR. Preference shares B and D are entitled to dividends at a rate of 5% + SONIA. The dividend rate of all classes of preference shares are subject to a floor of 8.5% and a cap of 12%. On the anniversary of the issue of the preference shares the Company can opt to pay accrued dividends in kind (PIK) rather than in cash at an additional rate of 2% on the non-PIK rate.

10. BORROWINGS (CONTINUED)

The convertible preference shares are recognised as liabilities because they were issued in a currency other than the functional currency of the Company and allow the holder a contractual right to receive a variable number of the Company's shares. The financial liability has been split between the debt component and the value of the conversion option and associated embedded derivatives. These amounts are presented in the statement of financial position as follows:

	2023 **£**	2022 £
Face value of preference shares issued	**10,107,480**	-
Transaction costs	**(2,217,357)**	-
Amortisation of transaction costs recognised as a finance cost	**172,906**	-
Carrying value of redeemable convertible preference shares	**8,063,028**	-
Other derivative financial liabilities - value of conversion option and associated embedded derivatives of the above (see note 11)	**4,889,587**	-
Total balance sheet liability relating to convertible preference shares	**12,952,615**	**-**

The initial fair value of the liability portion of the instrument was determined by an independent third party to be equal to the transaction price on the basis that the agreements were made on an arm's length basis.

11. DERIVATIVE FINANCIAL LIABILITIES

Derivative financial liabilities consist of embedded derivatives relating to the conversion option and associated embedded derivatives of the convertible redeemable preference shares (see note 10). These financial liabilities are designated at fair value through profit or loss at initial recognition (see note 20 to the Consolidated Financial Statements). In contrast, the loan element of the agreement is measured at amortised cost and is therefore presented separately to the derivatives. The Group holds no derivative financial assets or liabilities designated as hedging instruments.

	2023 **£**	2022 £
Derivative financial liability measured at fair value through profit or loss:		
Conversion option and associated embedded derivatives of redeemable convertible preference shares	**4,889,587**	-
	4,889,587	-

12. COMMITMENTS

As at 31 December 2023, the Company had the following commitments under non-cancellable operating leases that are outside the scope of IFRS 16. The costs associated with these leases are capitalised as intangible exploration and evaluation assets as permitted by IFRS 6.

	2023 **£**	2022 £
Within 12 months	**-**	50,000
1-2 years	**-**	50,000
2-5 years	**-**	50,000
	-	150,000

The Company had also made capital expenditure commitments to purchase exploration and evaluation assets with a total value of £585,006 (2022: £3,051,349). These items have not been recognised as liabilities as at the Statement of Financial Position date.

13. EVENTS AFTER THE REPORTING PERIOD

On 20 February 2024 the Company issued 80,764,442 convertible redeemable preference shares amounting to US$20,499,950. This formed the second issuance as part of the $68.5m funding agreement made on 14 September 2023 (see note 18 to the Consolidated Financial Statements for further details).

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