

British Virgin Islands company number: 1890161

CAPITAL METALS LIMITED

**DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

CAPITAL METALS LIMITED

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CAPITAL METALS LIMITED

COMPANY INFORMATION

Directors Gregory Martyr
Anthony Samaha – appointed 4 February 2020
Michael Frayne

Registered Office Vistra Corporate Service Centre
Wickhams Cay II
Road Town
VG1110
Tortola
British Virgin Islands

Company Number 1890161

Bankers OCBC Bank
65 Chulia Street
OCBC Centre
Singapore
049513

Independent Auditors PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London
E14 4HD

CAPITAL METALS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Capital Metals Limited for the year ended 31 March 2020.

The Financial Statements are presented in United States Dollars (“\$”) rounded to the nearest dollar.

Principal Activity

The principal activity of Capital Metals Limited (the “Company”) and its subsidiaries (together the “Group”) is the exploration and development of mineral sands resources in Sri Lanka. The Company is incorporated and domiciled in the British Virgin Islands.

The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, VG1110, Road Town, Tortola, British Virgin Islands.

Strategic approach

The Group’s aim is to design and develop a world-class heavy mineral facility in Sri Lanka delivering cash flow, employment and economic benefits to local communities, while enhancing the environmental landscape and providing value accretion to our stakeholders.

Review of business

The Group’s objective is to develop its 100% owned Eastern Minerals Project (“EMP”) in an efficient, sustainable and low-cost manner, by focusing on the establishment of a mining operation and associated mineral separation plant to produce mineral sands products for sale into the international markets. The Group aims to operate with a low carbon intensity and the highest standards of health, safety and environmental protection.

During the year the Group continued with:

- Completed and lodged an Environmental Impact Assessment (EIA)
- Simplified management and board structure greatly reducing overheads
- Installed operational team in place to secure mining approvals and development funding
- Completing the final stages of prospectus for planned listing in London during 2020
- Ongoing community engagement

Activities were severely impacted due to the overall shutdown in Sri Lanka caused by the COVID 19 Pandemic and the Company sought to reduce expenditure during this time.

Whilst subsequent to year end, the Group:

- Has made solid progress to list the Company in London during 2020
- Recommended the Licence approval process with the Sri Lankan authorities

Financial performance review

The loss for the Group for the year ended 31 March 2020 before taxation amounts to \$1,024,016 (2019: loss of \$1,242,938).

As an exploration entity, the Group has no operating revenue or earnings and consequently the Group’s performance cannot be gauged by reference to those measures. Instead, the Directors consider the Group’s performance based on the success of exploration activity, acquisition of additional prospective mineral interests and, in general, the value added to the Group’s mineral portfolio during the course of the financial period. The Board monitors the activities and performance of the Group on a regular basis. The Board uses financial indicators and management accounts to assess the performance of the Group. The indicators set out above, along with those below will continue to be used by the Board to assess the Group’s performance.

The two main KPIs for the Group are as follows, which allow the Group to monitor its working capital and plan future investment activities:

CAPITAL METALS LIMITED

DIRECTORS' REPORT

	31 Mar 2020	31 Mar 2019
	(\$)	(\$)
Cash and cash equivalents	114,150	85,468
Exploration costs capitalised as intangible assets	158,786	899,186

Cash has been used to fund the Group's operations, primarily in relation to the exploration and development of the Group's mineral sands project in Sri Lanka.

Exploration costs capitalised consist of exploration expenditure on the Group's exploration licences net of exchange rate movements.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 2020 (2019: nil).

Directors & Directors' Interests

The Directors who served during the year ended 31 March 2020 were:

Michael Frayne

Gregory Martyr

Anthony Samaha (appointed 4 February 2020)

Laurence Read (resigned 31 January 2020)

The Directors had the following beneficial interests in the shares of the Company:

	31 March 2020		31 March 2019	
	Ordinary Shares	Options	Ordinary Shares	Options
Michael Frayne ⁽¹⁾	11,055,919	3,250,000	11,055,919	3,250,000
Gregory Martyr ⁽²⁾	3,409,909	-	3,409,909	-
Anthony Samaha ⁽³⁾	50,000	-	-	-
Laurence Read ⁽⁴⁾	-	-	493,445	-

(1) 10,800,000 shares and 2,000,000 options are held by Adelise Services Limited, a company owned by a trust of which Michael Frayne is a discretionary beneficiary. 35,919 shares, 332,333 warrants and 1,250,000 options are held by Arwon Capital Limited, a company of which Michael Frayne is a beneficial owner, with the balance held directly by Michael Frayne

(2) Shares are held by Hogans Bluff Farm Pty Ltd; a company of which Gregory Martyr is a director and owner.

(3) Shares are held directly by Anthony Samaha.

(4) 393,445 shares held by Mowbrai Limited; a company of which Laurence Read is a director and owner with balance held directly by Laurence Read.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below.

Risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

CAPITAL METALS LIMITED

DIRECTORS' REPORT

Dependence on key personnel

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

Uninsured risk

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third-party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other natural disasters.

Funding risk

The only sources of funding currently available to the Group is through the issue of additional equity capital. The Group's ability to raise further funds will depend on the success of the Group's activities and its investment strategy. The Group may not be successful in procuring funds on terms which are attractive and, if such funding is unavailable, the Group may be required to reduce the scope of its investment activities.

Country Risk

The Group's mineral assets and their value could be adversely affected by sovereign risk, change in government policy, change in mining and fiscal legislation, prevention of access by reason of political or civil unrest, disease, outbreak of hostilities, inability to obtain regulatory or landowner consents or approvals, or native title issues as well as mineral title tenure and renewal risks.

Exploration Industry Risk

Exploration is speculative in nature, involves many risks and is frequently unsuccessful. Following any discovery, it can take a number of years from the initial phases of drilling and identification until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves and to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation. Government activity, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in the countries in which the Group operates could adversely affect the value of its interests.

These risks are mitigated as much as as possible by; building and maintaining a pipeline of projects at various stages of development, by employing highly experienced and highly trained geologists, both at Board level and at the operational level and by maintaining good relationships with the Governments of the countries in which we operate.

COVID-19

The Board is monitoring the global health crisis and is considering the associated risks and impact on the position of the Group from both an operational and financial perspective. With the extreme travel restrictions in force as a result of COVID-19 and the implications on investments means that there can be no assurance that the Group will be able to perform its intended workflows or generate cash from fund raising activities. The Board continues to monitor the effect of COVID-19 on an ongoing basis.

Financial Risks

The Group's operations expose it to a variety of financial risks that can include market risk (including currency, price and interest rate risk), credit risk, and liquidity risk. The Group does not use derivative financial instruments to manage interest rate or currency risks and, as such, no hedge accounting is applied.

Details of the Group's financial risk management policies are set out in Note 3 to the Financial Statements.

CAPITAL METALS LIMITED

DIRECTORS' REPORT

Corporate Responsibility

Environmental

The Group undertakes its activities in a manner that minimises or eliminates negative environmental impacts and maximises positive impacts of an environmental nature.

Internal Controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Going Concern

The Directors have a reasonable expectation that the Group has access to adequate resources to continue its operations for the foreseeable future, with the Company recently completing a pre-IPO fund raising, primarily from existing shareholders, of \$350,000, in the form of a loan note, along with significant progress being made towards achieving a listing on the AIM market of the London Stock Exchange, as outlined below in Note 25 (Events after the reporting period), and, therefore, continue to adopt the going concern basis in preparing the Financial Statements. However, they note that these plans may be adversely affected by COVID-19 which is outside the control of the Group. Further details on their assumptions and their conclusion thereon are included in the statement on going concern included in Note 2.4 to the Financial Statements. The auditors have drawn attention to going concern in their audit report by way of material uncertainty.

Directors' and Officers' Indemnity Insurance

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the year and remain in force at the date of this report.

Events after the reporting period

Events after the reporting period are set out in Note 25 to the Financial Statements.

Policy and Practice on Payment of Creditors

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier.

Provision of Information to Auditor

So far as each of the Directors is aware at the time this report is approved:

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

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 21 December 2020 and signed on its behalf.



Michael Frayne

Director

CAPITAL METALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are required to prepare financial statements for each financial period. The Directors have elected to prepare the Group's Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group 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. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. The Group is compliant with AIM Rule 16 regarding the Group's website.

This statement was approved by the Board on 21 December 2020 and signed on its behalf.

CAPITAL METALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL METALS LIMITED

Opinion

We have audited the group financial statements of Capital Metals Limited (the 'group') for the year ended 31 March 2020, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2020 and of its loss for the year ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to note 2.4 in the financial statements which identifies conditions, including that of COVID-19, that may cast significant doubt on the group's ability to continue as a going concern. The group is not expected to generate positive cashflows from operations in the 12 months from the date at which these financial statements were signed and is operating with a net current liability position. The group will need to raise additional funds to provide sufficient working capital either through a successful project/asset sale or external fundraising for on-going activities and committed expenditure to be met.

The financial statements have been prepared on the going concern basis.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Intangible Assets

We draw attention to note 11 which explains that the group is in the process of reviewing its exploration licenses. It is important to draw users attention to the fact that the recoverable value of the intangible assets is dependent on the Group obtaining the necessary license renewals. Failure to obtain all the necessary licence renewals is likely to result in a full impairment to the carrying value of Intangible Assets. Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the Directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group financial statements does not cover the other information and 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal

CAPITAL METALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL METALS LIMITED

control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 21 October 2019. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Joseph Archer (Engagement Partner)
For and on behalf of PKF Littlejohn LLP**

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 21 December 2020

CAPITAL METALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	31 Mar 2020 \$	31 Mar 2019 \$
Non-Current Assets			
Intangible assets	11	5,053,037	4,894,251
Property, plant & equipment	12	71,891	116,886
Total Non-Current Assets		5,124,928	5,011,137
Current Assets			
Trade and other receivables	13	4,661	110,570
Cash and cash equivalents	14	114,150	85,468
Total of Current Assets		118,811	196,038
Total Assets		5,243,739	5,207,175
Non-Current Liabilities			
Borrowings	15	453,060	-
Deferred tax	16	440,784	440,784
Trade and other payables	17	3,162,500	3,162,500
Total Non-Current Liabilities		4,056,344	3,603,284
Current Liabilities			
Trade and other payables	17	336,815	298,120
Total Current Liabilities		336,815	298,120
Total Liabilities		4,393,161	3,901,404
Net Assets		850,580	1,305,771
Equity			
Share premium	18	7,018,112	6,658,301
Other reserves	19	567,672	402,539
Retained losses		(6,735,204)	(5,755,069)
Total Equity		850,580	1,305,771

The Financial Statements were approved and authorised for issue by the Board of Directors on 21 December 2020 and were signed on its behalf by:



Michael Frayne

Director

The Notes on pages 15 to 34 form part of these Financial Statements.

CAPITAL METALS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	31 March 2020 \$	31 March 2019 \$
Continuing Operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses	6	(1,029,644)	(1,249,458)
Operating loss		(1,029,644)	(1,249,458)
Finance income		5,628	6,520
Loss before Taxation		(1,024,016)	(1,242,938)
Income tax expense	10	-	(1,759)
Loss for the period		(1,024,016)	(1,244,697)
Loss for the period attributable to owners of the Parent		(1,024,016)	(1,244,697)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		209,014	132,103
Expiry of options during the year		43,881	-
Total comprehensive loss attributable to owners of the Parent		(771,121)	(1,112,594)
Basic earnings per shares, after tax – cents	22	(0.96)	(1.06)
Diluted earnings per shares, after tax – cents	22	(0.96)	(1.06)

The Notes on pages 15 to 34 form part of these Financial Statements.

CAPITAL METALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share premium \$	Other reserves \$	Retained losses \$	Total \$
Balance as at 31 March 2018	6,639,640	270,436	(4,510,372)	2,399,704
Loss for the year	-	-	(1,244,697)	(1,244,697)
Other comprehensive income for the year				
Currency translation differences	-	132,103	-	132,103
Total comprehensive loss for the year	-	132,103	(1,244,697)	(1,112,594)
Transactions with owners				
Issue of ordinary shares	55,517	-	-	55,517
Share issue costs	(36,856)	-	-	(36,856)
Total transactions with owners	18,661	-	-	18,661
Balance as at 31 March 2019	6,658,301	402,539	(5,755,069)	1,305,771
Loss for the year	-	-	(1,024,016)	(1,024,016)
Other comprehensive income for the year				
Currency translation differences	-	209,014	-	209,014
Total comprehensive loss for the year	-	209,014	(1,024,016)	(815,002)
Transactions with owners				
Issue of ordinary shares	372,152	-	-	372,152
Share issue costs	(12,341)	-	-	(12,341)
Expiry of options during the year	-	(43,881)	43,881	-
Total transactions with owners	359,811	(43,881)	43,881	359,811
Balance as at 31 March 2020	7,018,112	567,672	(6,735,204)	850,580

The Notes on pages 15 to 34 form part of these Financial Statements.

CAPITAL METALS LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2020

	Year ended 31 March 2020	15-month period ended 31 March 2019
Note	\$	\$
Cash flows from operating activities		
Loss before taxation	(1,024,016)	(1,242,938)
<i>Adjustments for:</i>		
Depreciation	6 17,905	35,959
Foreign exchange	6 275,199	189,976
Profit on sale of property, plant and equipment	(4,396)	-
Interest expense	15,429	-
Interest income	(1,232)	(376)
Income tax	10 -	(1,759)
<i>Changes in working capital:</i>		
Decrease in trade and other receivables	105,909	116,165
Increase in trade and other payables	48,321	94,530
Net cash flows used in operating activities	(566,881)	(808,443)
Investing activities		
Interest received	1,232	376
Disposal of property plant and equipment	20,042	-
Purchase of property, plant and equipment	12 (530)	(7,435)
Cash used in exploration activities	11 (215,153)	(1,008,873)
Net cash used in investing activities	(194,409)	(1,015,932)
Financing activities		
Proceeds from borrowings	15 428,472	-
Proceeds from issue of equity	17 362,527	15,000
Cost of share issue	17 (12,341)	(36,856)
Net cash from financing activities	778,658	(21,856)
Net increase/(decrease) in cash and cash equivalents	17,368	(1,846,231)
Cash and cash equivalents at beginning of period	85,468	1,864,596
Exchange differences on cash	11,314	67,103
Cash and cash equivalents and end of period	14 114,150	85,468

Major non-cash transactions

On 31 March 2019, the Company issued and allotted 270,111 new ordinary shares with no par value at a price of \$0.15 each as consideration for consultants' fees.

On 3 July 2019, the Company issued and allotted 55,000 new ordinary shares with no par value at a price of \$0.175 each as consideration for consultants' fees.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. General Information

The principal activity of the Group is the exploration and development of mineral sands resources in Sri Lanka.

The Company is incorporated and domiciled in the British Virgin Islands. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, VG1110, Road Town, Tortola, British Virgin Islands.

2. Accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of preparing of financial statements

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRIC Interpretations Committee ('IFRS IC'). The Financial Statements have also been prepared under the historical cost convention, other than liabilities measured at fair value through profit or loss.

The Financial Statements are presented in United States Dollars rounded to the nearest dollar.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial statements are disclosed in Note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.2. Changes in accounting policy and disclosures

- (i) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 April 2019:

The Group has adopted all of the new and amended standards and interpretations issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods commencing on or after 1 April 2019.

- (ii) *New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted*

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2019 and have been applied in preparing these financial statements. None have had a significant effect on the financial statements of the Group and Company.

- IFRS 16 "Leases"
- Annual improvements to IFRS 2015-2017 Cycle
- IFRIC 23 "Uncertainty over income tax treatments"

2.3. Basis of Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where an entity does not have returns, the Group's power over the investee is assessed as to whether control is held. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

Below is a summary of subsidiaries of the Group at 31 March 2020:

Name of subsidiary	Place of business	Parent company	Registered capital	Share capital held	Principal activities
Brighton Metals Limited	British Virgin Islands	Capital Metals Limited	Ordinary shares US\$1	100%	Holding company
Redgate Lanka (Pvt) Limited	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 23,555,266	100%	Holding / Investment
Damsila Exports (Pvt) Limited	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 1,110,100	4%	Exploration
	Sri Lanka	Redgate Lanka (Pvt) Limited	Ordinary shares Rs 24,421,765	96%	Exploration
Eastern Minerals (Pvt) Limited	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 10,000	1%	Exploration
	Sri Lanka	Redgate Lanka (Pvt) Limited	Ordinary shares Rs 815,000	99%	Exploration
Keynes Investment (Pvt) Limited	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 1	100%	Exploration

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Directors' Report from page 4. In addition, Note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and details of its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenue streams, an operating loss has been reported and an operating loss is expected in the 12 months subsequent to date of the signing of these Financial Statements, the Directors believe that the Group will have access to adequate resources to meet its required exploration activities and working capital needs over the next 12 months from the date of approval of the Financial Statements. The Group has access to financial resources, as evidenced by the interest in the loan note being issued to raise US\$370,000 coupled with the progress being made towards achieving a listing on the AIM market of the London Stock Exchange, as outlined below in Note 25 (Events after the reporting period). The Directors believe, having considered management prepared forecasts that these sources of funds, will be sufficient to fund the Group's committed expenditure. However, there can be no assurance that the Group will be able to gain access to the necessary funding and this uncertainty has been exacerbated by COVID-19.

The Directors have, in the light of all the above circumstances, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Group Financial Statements.

The auditors make reference to a material uncertainty in relation to going concern within the audit report.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.6. Foreign currencies

(a) Functional and presentation currency

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is US Dollars. The functional currency of the Sri Lankan subsidiaries is Sri Lankan Rupee. The Financial Statements are presented in US Dollars, rounded to the nearest dollar, which is the Group's presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income where material.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.7. Intangible Assets

Exploration and evaluation assets

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

Exploration and evaluation assets are recorded and held at cost. Exploration and evaluation assets are not amortised but are assessed for impairment, with an impairment test being required when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas. Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

2.8. Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Software and computer equipment – 3 years

Vehicles – 4 years

Field and office equipment – 4 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

2.9. Impairment of non-financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

2.10. Financial Assets

Classification

The Group has classified all of its financial assets as loans and receivables including cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Recognition and measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, 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 (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

2.11. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

2.13. Share capital

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

2.14. Share Based Payments

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for various services received. The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 20 to the Financial Statements. The total amount to be expensed or charged in the case of options is determined by reference to the fair value of the options granted:

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

In the case of shares and warrants the amount charged to the share premium account is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable the shares are valued by reference to the market price and the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge 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 reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the warrants or options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share premium when the warrants or options are exercised.

2.15. Earnings per share

Basic earnings per share is calculated as profit or loss attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2.16. Reserves

Foreign currency translation reserve – the foreign currency translation reserve represents the effect of changes in exchange rates arising from translating the financial statements of subsidiary undertakings into the Group's presentation currency.

Share option reserve – The share option reserve represents the fair value of share options and warrants in issue. The amounts included are recycled to retained losses on exercise or expiry of the options and warrants.

Retained losses – the retained losses reserve includes all current and prior periods retained profit and losses.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

2.17. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

2.18. Current and deferred income tax

The tax charge/(credit) represents tax currently payable less any credit for deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from the loss for the year as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the relevant jurisdiction in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax is not discounted.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive management team.

a) *Market risk*

The Group is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Group does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Group has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the Financial Statements at the present time. The Directors will continue to assess the effect of movements in market risks on the Group's financial operations and initiate suitable risk management measures where necessary.

A 10% increase / decrease of the LKR:USD exchange rate would have a \$4,402 impact on the Group's pre-tax earnings for the period and on equity.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

b) *Credit risk*

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Group periodically assesses the financial reliability of counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

c) *Liquidity risk*

The Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or debt. The Directors are reasonably confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to enable the Group to continue its exploration and development of mineral sand resources. In order to maintain or adjust the capital structure, the Group may adjust the issue of shares or sell assets.

The Group defines capital based on the total equity of the Group. The Group monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

4. Critical accounting estimates and judgements

The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

4.1. Carrying value of exploration and evaluation assets

Exploration and evaluation costs have a carrying value at 31 March 2020 of \$5,053,037 (2018: \$4,894,251). Management tests annually whether exploration projects have future economic value in accordance with the Groups accounting policy on intangible assets. Each exploration project is subject to an annual review. When there are indications that an asset may be impaired, the Group is required to estimate the asset's recoverable amount.

Management also make judgements in respect of the potential success of licence renewal applications.

4.2. Contingent consideration

The consideration for the acquisition of the Sri Lanka assets was split into 3 tranches based on the following milestones:

- Tranche 1: upon completion of initial fundraising;
- Tranche 2: payable upon the completion of a feasibility study on the project; and
- Tranche 3: commencement of first commercial production

For each tranche, a probability was estimated for the likelihood of completion (Note 16) and applied to the total consideration payable for each tranche to estimate the total deferred consideration payable. The probability estimated for the likelihood of completion was considered at each period end. If these estimates prove incorrect then the amounts payable in respect of the acquisition may be different to those stated within the financial statements.

Whilst a probability estimate has been applied to the potential success of each milestone, no discount factor has been applied to the contingent consideration in respect of the timing as to when these events will occur. This is due to the fact that, whilst management consider that these events will take place, they are dependent on timing variables that cannot be reliably estimated. The variable is the need and timing of further funding of a set quantum so that the necessary work programmes can be undertaken.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

The outcome of any fundraise is uncertain and this uncertainty has been exacerbated by COVID-19. Additionally, meeting the deadlines is dependent on the success of the work programmes which is not certain and for which work will need to be completed following on from the fundraise which is itself uncertain. As such management consider it most appropriate to recognise, at present, no discount in respect of this matter. However, discounting will commence following a successful fund raise as management consider that it is at this stage a reliable time estimate will be able to be made. (See Note 16).

5. Segment information

The Directors are of the opinion that the Group comprises a single activity being the exploration and development of mineral sand resources in Sri Lanka. As such the financial information of the segment is the same as that set out in the primary statements.

6. Expenses by nature

	31 March 2020	31 March 2019
	\$	\$
Administrative expenses		
Directors' fees	260,000	148,723
Professional & consulting fees	295,809	531,246
Insurance	5,157	17,915
Office expenses	45,482	121,665
Travel and subsistence expenses	35,416	135,519
Foreign exchange	294,153	189,976
Depreciation	17,905	35,959
Other expenses	75,722	68,455
	1,029,644	1,249,458

7. Employees

The Group had 11 employees during the period (2019: 15). The Directors provided professional services as required on a part-time basis. Details of Directors' remuneration are disclosed in Note 8.

8. Directors' and key management personnel remuneration

	31 March 2020	15-month period ended 31 March 2019
	\$	\$
Short term employee benefits	281,536	314,142
	281,536	314,142

Of total director fees for the period, nil (2019: \$200,000) was capitalised in accordance with IFRS 6 as exploration and evaluation related costs and are shown as an addition to intangible assets in the year.

Nil pension benefits are provided for any Director (2019: \$Nil).

During the periods presented, there were no key management personnel aside from the Directors.

9. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditors and its associates:

	2020	2019
	\$	\$
Audit of the financial statements	27,930	26,660
	27,930	26,660

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

10. Taxation

Analysis of Charge in the Year

	31 March 2020	31 March 2019
	\$	\$
Current tax	-	1,759
Deferred tax	-	-
Total tax	-	1,759

Factors Affecting Current Tax Charge

The weighted average applicable tax rate of 28% (2019: 28%) is a combination of the rates used in the BVI and Sri Lanka:

	31 March 2020	31 March 2019
	\$	\$
Loss profit before tax	(1,024,016)	(1,242,938)
Tax at the applicable rate of 28% (2019: 28%)	(286,724)	(348,023)
Effects of:		
Expenditure not deductible for tax	-	-
Net tax effect of losses carried forward	286,724	346,264
Tax charge	-	(1,759)

No deferred tax asset has been recognised on accumulated tax losses due to uncertainty as to when the operations will generate sufficient profits against which to offset such assets.

11. Intangible Assets

	Exploration and evaluation assets \$
Cost	
As at 1 April 2018	3,995,065
Additions	1,008,873
Foreign exchange	(109,687)
As at 31 March 2019	4,894,251
Additions	215,153
Foreign exchange	(56,367)
As at 31 March 2020	5,053,037

Exploration projects in Sri Lanka are at an early stage of development. The Directors undertook an assessment of the following areas and circumstances that could indicate the existence of impairment:

- the Group's right to explore in an area has expired, or will expire in the near future without renewal;
- no further exploration or evaluation is planned or budgeted for;
- a decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves; and
- sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

Following their assessment, the Directors concluded that no impairment charge was necessary for the year ended 31 March 2020.

Moreover, the Group is in the process of reviewing its exploration licenses in November 2020. The recoverable value of the intangible assets is dependent on the Group obtaining the necessary license renewals subsequent to the fiscal year-end. Considering such event is definite to happen, this therefore provide additional evidence that no impairment charge was necessary for the year ended 31 March 2020.

12. Property, Plant & Equipment

	Vehicles \$	Field equipment \$	Software \$	Office equipment \$	Total \$
Cost					
As at 1 April 2018	63,291	71,520	13,491	32,510	180,812
Additions	-	670	-	6,765	7,435
Disposal	(7,153)	(8,143)	(1,525)	(3,997)	(20,818)
As at 31 March 2019	56,138	64,047	11,966	35,278	167,429
Additions	-	-	56	474	530
Disposals	(30,961)	-	-	(1,215)	(32,176)
Foreign Exchange	(1,981)	(4,345)	(815)	(2,176)	(9,317)
As at 31 March 2020	23,196	59,702	11,207	32,361	126,466
Depreciation					
As at 1 April 2018	5,027	5,027	5,028	5,028	20,110
Charged in the year	7,608	7,608	6,900	8,317	30,433
As at 31 March 2019	12,635	12,635	11,928	13,345	50,543
Charged in the year	790	2,440	(762)	1,564	4,032
As at 31 March 2020	13,425	15,075	11,166	14,909	54,575
Net book value as at 31 March 2020	9,771	44,627	41	17,452	71,891
Net book value as at 31 March 2019	43,503	51,412	38	21,933	116,886

The depreciation expense is recognised in administrative expenses as set out in note 6.

13. Trade and other receivables

	31 March 2020 \$	31 March 2019 \$
Other receivables	4,661	110,570
	4,661	110,570

Other receivables are all due within one year. The fair value of other receivables is the same as their carrying values stated above and form part of the Groups financial assets together with cash and cash equivalents. Other receivables contain no impaired amounts.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

Additionally, during the year, the Company issued convertible bonds to a value of \$357,630, and included \$68,630 of outstanding fees which were settled through the issue of convertible bonds to the same value and \$75,000 from director Michael Frayne. The terms of the convertible bonds are:

- Amount of offering \$500,000
- Term 24 months from closing date
- Interest 12% per annum accrued quarterly
- Conversion Will automatically convert into ordinary shares of the Company on or immediately prior to the Company's contemplated IPO at a price valued at the lower of \$0.175 per ordinary share or a 20% discount to the IPO price.

If an IPO or other event has not occurred by the end of the term, the convertible bonds will be converted at the lower of \$0.175 per ordinary share or a 25% discount to the last fundraising price.

The bond holder can elect to have the interest settled in cash post IPO proceeds received, or convert at the lower of \$0.0175 per Ordinary Share or 25% discount to the IPO placing price.
- Options The bond holder will receive a 3 year option at the time of conversion at IPO, with an exercise price at 30% premium to the IPO placing price.

Interest accrued on the convertible bonds to 31 March 2020 was \$10,670.

16. Deferred tax

An analysis of deferred tax liabilities is set out below.

	31 March 2020	31 March 2019
	\$	\$
Deferred tax liability after more than 12 months	440,784	440,784
Deferred tax liabilities	440,784	440,784

The movement in the deferred tax account is as follows:

	31 March 2020	31 March 2019
At 1 January	440,784	440,784
As at 31 December	440,784	440,784

The deferred tax liability arises as a result of fair value adjustments on the Damsila Exports (Pvt) Limited and the Eastern Minerals (Pvt) Limited business combinations. The Group has additional capital losses of approximately \$440,784 (2019: \$440,784) available to carry forward against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

17. Trade and other payables

	31 March 2020	31 March 2019
	\$	\$
Current		
Trade payables	83,229	80,689
Accruals	151,431	21,389
Other payables	102,155	196,042
	336,815	298,120
Non-current		
Deferred consideration	1,193,750	1,193,750
Other payables	1,968,750	1,968,750
	3,162,500	3,162,500

Included within Other payables are the amounts payable with respect to finders' fees relating to the acquisition of Damsila Exports (Pvt) Limited and Eastern Minerals (Pvt) Limited that is due and payable upon the satisfaction of certain milestones within the Group and include milestone cash and shares being:

- \$1,125,000 (non-current) in shares (recorded at 95% of face value) upon completion of feasibility study on the project; and
- \$1,125,000 (non-current) in shares (recorded at 80% of face value) upon commencement of first commercial production.

Included within deferred consideration is the consideration payable with respect to the acquisition of Damsila Exports (Pvt) Limited and Eastern Minerals (Pvt) Limited that is due and payable upon the satisfaction of certain milestones within the Group and include milestone cash being:

- \$625,000 (non-current) in cash (recorded at 95% of face value) upon completion of feasibility study on the project; and
- \$750,000 (non-current) in cash (recorded at 80% of face value) upon commencement of first commercial production.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

18. Share premium

	Number of shares	Share premium \$
Issued and fully paid		
As at 18 September 2015	-	-
Issue of new shares – 18 September 2015	1	-
Issue of new shares – 15 October 2015	60,999,999	-
Issue of new shares – 23 October 2015	700,000	108,300
Issue of new shares – 23 November 2015	500,000	75,979
Issue of new shares – 3 December 2015	703,000	106,656
As at 31 December 2015	62,903,000	289,935
Issue of new shares - 15 February 2016	1,550,000	223,806
Issue of new shares - 21 April 2016	250,000	35,851
Issue of new shares - 1 September 2016 ⁽²⁾	1,297,000	172,139
Issue of new shares - 18 November 2016	20,125,000	3,018,750
Share issue costs	-	(133,655)
As at 31 December 2016	86,125,000	3,606,826
Issue of new shares – 11 August 2017	5,779,122	1,733,735
Issue of new shares – 26 March 2018	12,511,633	1,876,745
Buyback of ordinary shares ⁽¹⁾	-	(430,000)
Share issue costs	-	(147,666)
As at 31 March 2018	104,415,755	6,639,640
Issue of new shares – 9 April 2018	100,000	15,000
Issue of new shares – 31 March 2019 ⁽³⁾	270,111	40,517
Share issue costs	-	(36,856)
As at 31 March 2019	104,785,866	6,658,301
Issue of new shares – 11 April 2019	382,300	66,902
Issue of new shares – 26 April 2019	300,000	52,500
Issue of new shares – 13 May 2019	810,714	141,875
Issue of new shares – 3 July 2019 ⁽⁴⁾	633,571	110,875
Share issue costs	-	(12,341)
As at 31 March 2020	106,912,451	7,018,112

(1) Following a resolution of the Directors, the Company bought back 8,600,000 shares at purchase price of \$0.05 from the Murphy Investment Trust. These shares are held as Company treasury shares.

(2) 1,297,000 shares were issued as settlement of services to the Company in lieu of cash for a value of \$172,139

(3) 270,111 shares were issue as settlement of services to the Company in lieu of cash for a value of \$40,517.

(4) 55,000 shares were issued as settlement of services to the Company in lieu of cash for a value of \$9,625.

Share capital is the amount subscribed for share at nominal value. The nominal value of shares is \$0.00.

Share premium is the amount subscribed for share capital in exercise of nominal value, allotted, authorised and fully paid.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

19. Other reserves

	31 March 2020	31 March 2019
	\$	\$
Foreign currency translation reserve	286,362	77,348
Share option reserve	281,310	325,191
	567,672	402,539

20. Financial Instruments

31 March 2020	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets / liabilities	\$	\$	\$	\$
Fair value assets through profit or loss	-	-	-	-
Trade and other receivables	-	4,661	-	4,661
Cash and cash equivalents	-	114,150	-	114,150
Trade and other payables	(3,162,500)	-	(336,815)	(3,499,315)
Borrowings	-	-	(453,060)	(453,060)
	(3,162,500)	118,811	(782,267)	(3,833,564)

31 March 2019	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets / liabilities	\$	\$	\$	\$
Fair value assets through profit or loss	-	-	-	-
Trade and other receivables	-	110,570	-	110,570
Cash and cash equivalents	-	85,468	-	85,468
Trade and other payables	(3,162,500)	-	(298,120)	(3,460,620)
	(3,162,500)	196,038	(298,120)	(3,264,582)

Capital Risk Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and the Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, foreign exchange reserves and retained earnings as disclosed in the Consolidated Statement of Changes of Equity.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange and liquidity risks. The management of these risks is vested to the Board of Directors.

The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in finance expense / decrease in interest income.

Fair Value Measurements Recognised in the Statement of Financial Position

The following provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 & 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 2 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Level 3 assets are assets whose fair value cannot be determined by using observable inputs or measures, such as market prices or models. Level 3 assets are typically very illiquid, and fair values can only be calculated using estimates or risk-adjusted value ranges.

Interest Rate Risk

The Group is exposed to interest rate risk whereby the risk can be a reduction of interest received on cash surpluses held and an increase in interest on borrowings the Group may have. The maximum exposure to interest rate risk at the reporting date by class of financial asset was:

	31 March 2020	31 March 2019
	\$	\$
Bank balances	114,150	85,468

Given the extremely low interest rate environment on bank balances, any probable movement in interest rates would have an immaterial effect.

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 and arises principally from the Group's receivables from customers. Indicators that there is no reasonable expectation of recovery include, amongst others, failure to make contractual payments for a period of greater than 120 days past due.

The carrying amount of financial assets represents the maximum credit exposure.

The principal financial assets of the Company and Group are bank balances and trade receivables. The Group deposits surplus liquid funds with counterparty banks that have high credit ratings and the Directors consider the credit risk to be minimal.

The Group's maximum exposure to credit by class of individual financial instrument is shown in the table below:

	2020	2020	2019	2019
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
	\$	\$	\$	\$
Cash and cash equivalents	114,150	114,150	85,468	85,468
Other receivables	4,661	4,661	110,570	110,570
	118,811	118,811	196,038	196,038

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

No aged analysis of financial assets is presented as no financial assets are past due at the reporting date.

Other receivables

The Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS's. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. During the period, there were no credit losses experienced and no loss allowance being recorded.

Currency Risk

The Group operates in a global market with income and costs possibly arising in a number of currencies and is exposed to foreign currency risk arising from commercial transactions, translation of assets and liabilities and net investment in foreign subsidiaries. Exposure to commercial transactions arise from sales or purchases by operating companies in currencies other than the Companies' functional currency. Currency exposures are reviewed regularly.

The Group has a limited level of exposure to foreign exchange risk through their foreign currency denominated cash and receivable balances:

	31 March 2020	31 March 2019
	\$	\$
<i>Cash and cash equivalents</i>		
US Dollar	70,133	32,214
Sri Lankan Rupee	44,017	53,254
	<hr/>	<hr/>
	114,150	85,468
<i>Other receivables</i>		
US Dollar	1,762	78,830
Sri Lankan Rupee	2,899	31,740
	<hr/>	<hr/>
	4,661	110,570
	<hr/>	<hr/>
	118,811	196,038

The table below summaries the impact of a 10% increase / decrease in the relevant foreign exchange rates versus the Sri Lankan Rupee rate for the Group's pre-tax earnings for the period and on equity.

	31 March 2020	31 March 2019
	\$	\$
<i>Impact of 10% rate change</i>		
As at 30 June	4,692	8,499
	<hr/>	<hr/>

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2020

Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Group seeks to manage liquidity risk by regularly reviewing cash flow budgets and forecasts to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group deems there is sufficient liquidity for the foreseeable future.

The Group had cash and cash equivalents at period end as below:

	31 March 2020	31 March 2019
	\$	\$
Cash and cash equivalents	114,150	85,468

21. Share Based Payments

Warrants and options outstanding at 31 March 2020 have the following expiry dates and exercise prices:

Grant date	Expiry date		Exercise price per share	Shares
				Granted in 2016
3 August 2016	3 August 2021	Options	\$0.15	10,000,000
				10,000,000

The movement of warrants and options granted over the year to 31 March 2020 is shown below:

	2020		2019	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
As at 1 January	11,666,666	0.124	11,666,666	0.124
Cancelled	-	-	-	-
Granted	-	-	-	-
Expired	(1,666,666)	-	-	-
Outstanding as at 31 March 2020 / 31 March 2019	10,000,000	0.15	11,666,666	0.124
Exercisable as at 31 March 2020 / 31 March 2019	10,000,000	0.15	11,666,666	0.124

2020		2019	
Weighted average exercise price (\$)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0.15	10,000,000	1.40	1.40
0.124	11,666,666	2.10	2.10

No options or warrants were exercised during the period. The total fair value charged to the statement of comprehensive income for the year ended 31 March 2020 was \$Nil (2019: \$Nil).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the loss for the period from continuing operations for the Group by the weighted average number of ordinary shares in issue during the period.

	31 March 2020	31 March 2019
	\$	\$
Loss for the period from continuing operations, after tax	(1,024,016)	(1,244,697)
Weighted average number of shares in issue	106,912,451	104,513,289
Basic earnings per share	(0.96)	(1.06)
Diluted earnings per share	(0.96)	(1.06)

There is no difference between the basic and diluted loss per share for 2020 and 2019 as the effect would be to decrease earnings per share.

23. Related parties

Intercompany Loans and Equity Investments

As at 31 March 2020 \$1,977,972 (2019: \$1,750,000) had been sent from Capital Metals Limited to Damsila Exports (Pvt) Limited which is treated as investment and is eliminated on consolidation of the Group. The activities of the Sri Lankan subsidiaries are funded by the ultimate parent entity, Capital Metals Limited via loans and equity investment within the Group, which loans and equity investments are eliminated on consolidation of these Group Financial Statements.

Other transactions

In addition to Director fees paid during the year, the following payments were made during the year to related parties:

- Arwon Capital (UK) Limited, a company of which Michael Frayne and former director Alexander Barblett are directors, were paid fees and legal expense reimbursements to the value of nil during the year (2019: \$92,546). No balance was outstanding at the year-end (2018: \$Nil).
- Capital Metals Pty Limited, a company in which former director Stephen Ross is a Director, received money due to the Group in relation to shares issued during the prior year. The Group was owed nil (2019: \$65,068) by Capital Metals Pty Limited at the end of the year.
- Michael Frayne lent the Company a total of \$155,000 – refer Note 15 for full details.

24. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

25. Events after the reporting period

Following the year end the COVID-19 pandemic has had a global impact. The situation is continually developing and as at the date of this report the situation will need continual attention and will continue to evolve over time.

The rapid development and fluidity of the COVID-19 virus makes it difficult to predict the ultimate impact on the Group at this stage. In line with most experts, we believe that the impact of the virus will be material on the general economy and central banks have already begun to reduce interest rates and taking other measures. Undoubtedly, this will have implications for the Group's operations, for example restricting travel movements and impacting fund raising activities as investors look to delay decisions until the crisis is over. Management is in the process of addressing the impact of COVID-19 on the Group, however given the fluidity and volatility of the situation it is not possible to quantify the impact at this stage.

On 3 May 2020, the Company transferred 93,333 shares from treasury to settle creditor amounts owing, at the issue price of \$0.15 per share.

CAPITAL METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

On 1 July 2020, the Company transferred 1,300,000 shares from treasury in consideration for consulting and advisory service, of which 800,000 shares were to directors and officers of the Company or their associated entities, at the issue price of \$0.15 per share.

On 13 October 2020, the Company agreed with director Michael Frayne for the provision of a further \$32,000 in funds to the Company for working capital purposes, through an amendment to the existing loan agreement, increasing the principal to \$112,000.

On 17 October 2020, the Company transferred 975,000 shares from treasury to the holders of 10 million options over 10 million ordinary shares in the Company, with an exercise price of US\$0.15 per share and an expiry date of 3 August 2021 ("the Options"), in consideration for the cancellation of the Options.

On 17 October 2020, the Company cancelled 3,131,667 shares held in treasury, resulting in nil shares being held in treasury.

On 21 October 2020 AIM Listed Equatorial Palm Oil Plc ("EPO") announced that it had reached conditional agreement with parties holding a majority of the shares (51.4 per cent.) ("CML Majority") in the Company for EPO to acquire their shares in the Company in exchange for ordinary shares in EPO.

The proposed acquisition ("Proposed Acquisition") will constitute a reverse takeover transaction pursuant to the AIM Rules for Companies. Following the Proposed Acquisition, the Company's business will constitute all of the EPO's business.

EPO issued the same offer to the remaining shareholders in the Company which, if accepted, will result in the acquisition of up to 100 per cent. of the entire issued share capital of Company ("CML Shares") for an aggregate total consideration of £15.84 million by the issue of up to 132,000,000 new Ordinary Shares in EPO ("Consideration Shares"). This equates to a price of 12 pence per Consideration Share ("Issue Price") to be issued following a proposed 20:1 share consolidation of EPO (equivalent to 0.6 pence per existing Ordinary Share of EPO).

The offer by EPO to all CML shareholders ("the Offer") specified, inter alia, the following terms:

- In consideration for the acquisition of the CML Shares, EPO proposed to issue 1 Consideration Share for every 1.235 CML Shares sold.
- That completion of the Proposed Acquisition is conditional, amongst other things, on
 - o the passing of resolutions at a general meeting to be convened by EPO, to approve : the Proposed Acquisition, a 20:1 share consolidation, and a placing of new ordinary shares ("Placing Shares") in EPO; and
 - o admission of the Placing Shares and Consideration Shares to trading on AIM becoming effective on or before 31 March 2021.

Completion of the Offer is conditional on acceptances being received from the holders of CML Shares holding more than 75 per cent. of the issued CML Shares (unless otherwise agreed between EPO and the Company, with the approval of the EPO's Nominated Adviser).

As at the date the Financial Statements were approved by the Board of Directors on 21 December 2020, EPO advised that it had received acceptances from the holders of CML Shares holding 98.15 per cent. of the issued CML Shares, and that completion of the Proposed Acquisition is expected to take place in January 2021.

On 12 November 2020, the Company agreed with EPO for the provision of a loan of \$50,000 for working capital purposes. The loan attracts an interest rate of 1% per month which if accrued will compound monthly. The loan is repayable within 12 months of the drawdown.