

COMPANY REGISTRATION NUMBER: 05350512

ALTONA RARE EARTHS PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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CORPORATE INFORMATION

| | |
|----------------------------|--|
| DIRECTORS | Christian Taylor-Wilkinson – (Chief Executive) Cédric Simonet - (Chief Operating Officer) Audrey Mothupi – (Non-Executive Director) Simon Tucker- (Non-Executive Director)- resigned 1 st August 2022 Martin Wood - (Non-Executive Director and Chairman) Hilton Banda – (Non-Executive Director – appointed 12 th November 2021 and resigned 24 th February 2022) |
| COMPANY SECRETARY | Orana Corporate LLP |
| REGISTERED OFFICE | Eccleston Yards, 25 Eccleston Place, London, SW1W 9NF |
| INDEPENDENT AUDITOR | PKF Littlejohn LLP 15 Westferry Circus London E14 4HD |
| AQUIS CORPORATE ADVISOR | Alfred Henry Corporate Finance Ltd 5-7 Cranwood Street London EC1V 9EE |
| BROKER | Optiva Securities Ltd 49 Berkely Square London W1J 5AZ |
| BANKERS | HSBC Bank Plc 39 Tottenham Court Road London W1T 2AR |
| LAWYERS | Mildwaters Consulting LLP Walton House 25 Bilton Road, Rugby Warwickshire CV22 7AG |
| REGISTRARS | Share Registrars Limited The Courtyard 17 West Street, Farnham Surrey GU9 7DR |

CHIEF EXECUTIVE'S STATEMENT

Overview of the Year

The past 12 months have been transformative for Altona and its shareholders, being the Company's first full financial year in the rare earths sector, seeing the completion of our initial exploration programme and the commencement of the second phase of resource drilling, which has already shown significant potential for the project.

We made our primary acquisition in the rare earth elements ("REE") mining sector on 25 June 2021, just before the start of the current reporting year and have made substantial operational progress at this site in the subsequent 16 months. The asset, the Monte Muambe Rare Earths Project ("Monte Muambe"), which is based in northwest Mozambique, has quickly shown its potential as a viable REE mining project, reporting a potential high tonnage of rare earth metals and crucially, higher than average grades (measured in Total Rare Earths Oxide – "TREO") at the end of Phase 1 drilling programme.

Monte Muambe is a carbonatite complex of approximately 19km², with a predominance of Light Rare Earth Elements ("LREE"), including high levels of critical "magnet metals", Neodymium and Praseodymium (together often reported as "NdPr"). These two metals, along with a number of other rare earth metals, particularly the Heavy Rare Earth Elements ("HREE") Terbium and Dysprosium, which have been found at potentially economic levels, are crucial in the production of permanent magnets which are necessary in the manufacture of electric vehicles ("EVs") and wind turbines, both fast growing sectors.

We commenced our initial Phase 1 drilling programme in late September 2021 and completed it on 30 November 2021 for a total meterage of 3,131m over 43 holes. Assay results, which were received in late April 2022, were significant enough for the board to increase its holding in Monte Muambe Mining Lda, the current owner of the exploration licence, to 20% (from an initial 1%) and proceed directly into Phase 2 (resource definition and scoping study).

Phase 2 Drilling concluded on 29 November 2022, resulting in a total meterage of 3,954m over 62 holes. The focus of Phase 2 was to assess the geometry and grade of identified targets to produce a maiden Resource Estimate by the end of Q1 2023 and a Scoping Study by the end of Q2 2023, in line with strategy.

Should the results of these key milestones be positive, which we expect them to be based on early exploration analysis, we will endeavour to fast-track Monte Muambe through its Feasibility Study and into production.

The Company raised a total of £1.75m during the year, undertaking two placings at 14p (September 2021) and 8p (April 2022), to provide working capital for its exploration and assay needs.

During the year under review, we also entered into two acquisition agreements to investigate potential rare earth projects in Uganda and Malawi. Both projects were subsequently disregarded at an early stage, as they did not meet the Board's strict investment criteria. Only a minimum amount of capital and resources were spent on each.

Post Balance Sheet Events

On 8 August 2022, Altona published a JORC Exploration Target estimate, a significant milestone to help shareholders understand the future potential of Monte Muambe. The independent report highlighted a number of key elements:

- Estimated total tonnage of up to 56.6 million tonnes at 1.65% Total Rare Earths Oxides (“TREO”)
- Including 11.5 million tonnes at 2.41% TREO, corresponding to a well-defined high-grade zone
- Geometry favourable to low strip ratio open pit mining
- Monte Muambe is on track to become a significant, high value rare earths project

In line with our planned Admission to the Standard segment of the London Stock Exchange, the Company carried out a Placing on 19 August 2022, raising £1.1m at a price of 8p per share, conditional on Admission to the LSE. These funds, should Altona achieve a successful LSE listing, will be used to complete the current spend commitment of the Monte Muambe Farm In Agreement to take the our holding in the asset to 51% and provide a further 12 months working capital to allow us to commence the pre-feasibility exploration phase.

Rare Earths – Rising Global Demand

In the EU’s 2022 assessment for the supply risk of critical raw materials, LREE and HREE held the top two positions, due to their widening usage in green energy, defence and communication industries. Worryingly for the West, the supply risk is also due to the fact that 90% of the processing of these metals is being conducted in China, which controls the global supply chain. Currently there is no processing alternative outside China, although rare earth refineries are in the process of being built in the UK, US, Australia and Europe.

There is a current global shortage of NdPr of approximately 3,000 tonnes per year, which is predicted to rise to over 15,000 tonnes per year by 2030. Bearing in mind that most countries have now set targets to remove internal combustion engine vehicles from the production line by 2030 and switch to EV or hybrid vehicles, this burden upon the rare earth mining sector is only set to increase.

Altona believes it is able to be part of the solution to this major issue; our long-term strategy is to work with the UK, EU and North American governments, processors and manufacturers, through direct off-take agreements, ensuring a constant and sustainable flow of critical metals to those industries which would potentially fail without it.

CHIEF OPERATING OFFICER'S STATEMENT

Monte Muambe Project – Review and Future Potential

During the year ended 30 June 2022, the Company made significant strides towards turning the Monte Muambe REE Project from what were previously known to be a few isolated REE occurrences into what are now well-defined mineralised zones that support the preparation of a JORC Exploration Target based on a solid drilling data set.

When the Company acquired control of the asset Monte Muambe in August 2021, the project had mostly seen exploration for the mineral fluorspar between the 1980s and 2010s including trenching, drilling and a helicopter-borne geophysical survey. Out of 165 boreholes drilled in the course of fluorspar exploration, only about a handful had significant REE intercepts. While

the intercept lengths were impressive (ranging from 30m to almost 100m, with grades well above 2% TREO), there was no indication of what the lateral extent and the size of REE mineralisation could be.

Altona's Phase 1 objectives were therefore focused on confirming known REE intercepts, testing their lateral extent, obtaining a better understanding of the geology and geometry of REE mineralisation, as well as testing a few additional targets. This was achieved by drilling 5 diamond drilling holes and 36 Reverse Circulation ("RC") holes on 6 different targets, for a total of over 3,100m. This work allowed us to confirm two previously known targets and to discover two brand new target zones.

Additionally, it was determined that REE mineralisation at Monte Muambe is primary, contained in part in bastnaesite, a mineral for which the REE extraction process is well defined, and is hosted in different types of carbonatites. Assay results showed impressive grades, with up to 7.24% TREO, 1.21% NdPr Oxide, as well as notable amounts of Dysprosium and Terbium.

In February 2022, to help define more precisely its resource drilling plan, the Company embarked on a thorough soil sampling programme over the entire carbonatite intrusion. Due to the thin nature of the soils at Monte Muambe, this geochemical method is very efficient at pinpointing primary REE mineralisation at sub-surface level. The survey allowed to delineate precisely 10 REE and Niobium target zones (including those previously discovered), and to optimise the drilling programme.

Following the success of Phase 1, Phase 2 commenced in March 2022. By 30 June 2022, 40 RC holes totalling 1,765m had been drilled, with a strong focus on Targets 1 and 4. An additional 15 holes totalling 1,378m were drilled between July and September, with a further 811m (7 holes) drilled before we concluded the drilling season on 29 November 2022.

The work done so far has shown that there are two types of REE mineralisation, one with grades ranging from 0.5 to 1% TREO and containing Niobium, and one with grades ranging from 1 to 7% TREO without Niobium. These two types of REE mineralisation zones form large, consistent bodies, dipping at an angle into the ground. The strike length of the Target 1 bodies is over 700m. The shape of the bodies is extremely favourable to low strip-ratio open-pit mining, with almost no waste interburden. The quality of the data produced has allowed the Company to define a solid JORC Exploration Target estimate which was published on 8 August 2022.

| | Tonnes (millions) | Tonnes (millions) | TREO% | TREO% |
|---------------------|-------------------|-------------------|------------------|------------------|
| Cut-off Grade TREO% | 0.5% Grade Shell | 1.0% Grade Shell | 0.5% Grade Shell | 1.0% Grade Shell |
| 1.0% | 56.6 | 21.7 | 1.65 | 1.78 |
| 2.0% | 11.5 | 6.5 | 2.41 | 2.47 |

While the feasibility of a mining operation at Monte Muambe will ultimately rest on a large number of key parameters, including metallurgy, the results of the JORC Exploration Target show a potential resource of a size and grade that could sustain a mining operation, and which are favourable compared to Monte Muambe's peer group projects in Africa. Drawing on the mining experience of its management, the Company integrates mining parameters in its exploration programme right from the beginning, and focuses on the most favourable targets, to ensure the delivery of an actually mineable project. Monte Muambe is located in a stable

part of Mozambique, in the middle of a larger regional mining hub including Zambia, Zimbabwe and Malawi which is highly populated with exploration and mining activity, qualified personnel, contractors, infrastructure and hydroelectric power.

Sustainability is very much at heart of the Company's mission and among the parameters that will be considered during technical studies are the possibility to operate on or near a carbon neutral basis, as well as to maximize in-country value addition through taking processing in Mozambique as far downstream as the economic characteristics of the project will allow.

Within a year, Altona has been able to rapidly and efficiently put itself and the Monte Muambe project on the map of possible future REE producers in Africa. This success stems in great part from the outstanding work of the team on the ground, consisting of 26 Mozambican geologists, technicians, field assistants, admin and support personnel.

The Company places a lot of emphasis on developing the capacity of its subsidiary Monte Muambe Mining Lda with equipment and training of local personnel. Key to this was the acquisition of a Hitachi X-Met8000 pXRF analyzer equipped with a 50kv anode and specific programmes to enable the detection and quantification of Neodymium, Praseodymium, Lanthanum, Cerium and Yttrium, as well as of light elements relevant to carbonatites such as Potassium, Magnesium and Silicon. Used within the framework of a specially developed QAQC system, this tool allows the analysis of soil and RC cuttings samples on site, allowing a quasi-real-time assessment of soil sampling and drilling results and a constant reorientation of the exploration plan, thus saving time and resources. Monte Muambe Mining is also equipped to carry out gamma-spectrometer geophysical surveys, as well as differential GPS (RTK) topography surveys, the accuracy of which is suitable to use produced data for resource modelling.

At the date of writing this report, the Company is assessing proposals from consultants for the Mineral Resource Estimate and Scoping Study, which will include results of mineralogical and metallurgical testing carried out in Q4 2022. Samples are being assayed at the laboratory, and others will be on the road soon as we have wrapped up this year's drilling campaign in anticipation of the rainy season. All is on track for the Company to deliver its maiden Mineral Resource Estimate by Q1 2023 and Scoping Study by Q2 2023, as planned.

CORPORATE

Financial Review

Balance sheet – acquisitions, capital expenditure, equity placing and asset growth

The Company acquired the asset Monte Muambe Mining Lda ("MMM") during the year, which holds the operating licence of Monte Muambe, for a total consideration of £167,000 which comprised £80,000 in cash and the remainder in the issue of one million Company shares. Although ownership of this asset only currently stands at 20%, the Company has consolidated the results of MMM within its Group as it has established control over MMM as set out in the Farm-In Agreement.

The Group's total assets have increased from £457,000 to £1.41 million mainly due to the significant capital expenditure of £795,000 on this licence.

During the year the Company completed two equity placings with a total issue of just over fifteen million shares, raising £1.75 million (gross proceeds). This helped the Company to proceed at a good pace with the above mentioned acquisition, increasing its equity from 1% to 20% within a short timeframe.

As a result of these activities, the Group's net assets have increased from £136,000 as at 30 June 2021 to £1.05 million as at 30 June 2022.

Income Statement

The loss for the year was £801,000 as compared with a £733,000 loss in the prior year. During the year, the Group expensed £59,000 of exploration costs (2021: £182,000) due to the decision not to continue with a project in Malawi.

The Company is focused on controlling administration costs and aims to keep these to a minimum.

Liquidity and Cash Flow

The Group monitors its cash position, cash forecasts and liquidity regularly.

Net cash used in operating activities increased from £528,000 to £832,000 representing the increased operations of the Group, mainly due to the acquisition and operation work at Monte Muambe. This was also reflected in the increase from £nil to £875,000 in cash used in investing activities.

During the year the Company paid back loans of £56,000 and at the end of the year, the Group's cash balance was £283,000 (2021: £436,000).

Replacement Warrants

On the 26 June 2022, the Company replaced all 20 pence warrants issued during the June 2021 and September 2021 placings with new warrants with an exercise price of 12 pence per Ordinary Shares. They all still retain their expiry date of 31 March 2023. This exercise was completed to recognise that shareholders who had previously invested in the Company had been issued warrants at a higher exercise price than the more recent placings. An equitable solution was sought by the Board and ultimately the Directors believe that this decision would, in the medium term, create shareholder value.

Board Appointments

Cédric Simonet was appointed as Chief Operating Officer on 14 July 2021, having served as a Non-Executive Director since December 2020 and Consultant Geologist since July 2020. Cedric's knowledge of the African mining landscape and experience with running exploration programmes in remote locations is second-to-none and his presence on the board has been transformative for Altona.

Hilton Banda was appointed as a Non-Executive Director in November 2021, as part of the acquisition of a Malawi ionic clay REE project, where he was a director. As the Company decided against pursuing this project due to environmental factors, Mr Banda stepped down from the board on 7 March 2022.

Simon Tucker resigned as a Non-Executive Director on 2 August 2022. A highly experienced replacement has been selected and will be appointed when the Company completes its Admission to the LSE.

London Stock Exchange Listing

The Company continues to work with its advisers and the Financial Conduct Authority (“FCA”) with the view that admission of its shares to the LSE Standard will be forthcoming. At this time however, the board is unable to provide a clearer time frame of events.

Outlook

Altona continues to work diligently with its local partners in Mozambique and within the rules of its operational jurisdiction. Our medium-term strategy is to become part of the solution to the widening global deficit of rare earths, particularly with respect to the magnet metals, and we are confident of achieving this goal.

We believe the timing for our entry into the rare earths sector is impeccable, as it is our goal to bring our assets into production around the time the newly constructed European and US REE processing facilities come on-line.

It is our intention to create a portfolio of REE projects across different African jurisdictions and differing geological formations, to reduce shareholder risk and increase our opportunity to become revenue generating in as short a time-frame as possible.



CHIEF EXECUTIVE

Altona Rare Earths Plc

14 December 2022

GROUP STRATEGIC REPORT

The directors present their strategic report on the Company and its subsidiary undertakings (which together comprise the “Group”) for the year ended 30 June 2022.

Principal Activity

The principal activity of the Group is the exploration, development and extraction of rare earth elements in Africa.

Review of Strategy and Business Model

The strategy of the Company is to identify suitable mining concessions which could lead to the extraction of rare earth metals. The Company has chosen Africa as its main target geography, due to its long history with mining companies, which provides a workable infrastructure and experienced workforce. Africa has also shown over the past 30 year to be abundant in rare earths, across many different geological formations, making it an ideal jurisdiction for a company, like Altona, which is looking to acquire multiple assets using different techniques to recover the commodities.

Altona has, so far, made one acquisition (Monte Muambe), via a farm-in agreement, which will take the Company’s holding from an initial 1% to 70% by Q1 2025. This is a business model the Company is looking to replicate with any future investment.

The Company is also in the process of identifying greenfield concessions, where it would take immediate control of 100% of the licence, once its application has gained approval by the ruling government. By spreading the business risk between joint ventures with local partners (via a farm-in agreement) and applying for a licence in its own name, Altona believes it will mitigate some of the issues junior mining exploration companies can face.

The board will review each project on a case-by-case basis before reaching the final feasibility stage, to allow a clear decision on whether to take a project into production (either on its own or with a finance partner) or to sell the asset. Each route has its own merits and would provide shareholder value. It is the Company’s strategy to take at least one project all the way to production, such is the demand for rare earths by a variety of major manufacturing industries; the Board believes it will be able to gain the know-how to transition from an exploration company to a production company.

The Company is aware that its future strategy will require high levels of funding which it does not believe can be achieved while it is listed on AQSE, hence its pursuit of a listing on the London Stock Exchange, which it is hoping to complete in Q4 2022.

Business Review

The developments during the year are detailed in the Chief Executive’s Report on pages 4 to 9.

Financial Performance of the Group

The loss of the Group for the year ended 30 June 2022 before taxation amounts to £801,000 (2021: loss of £733,000).

The Board monitors the activities and performance of the Group on a regular basis. The Board uses financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below will continue to be used by the Board to assess performance over the year to 30 June 2023.

The Group is committed to best practice in energy consumption, social, community and human rights issues however given the Groups size it does not separately disclose these matters in this report. The three main financial KPIs for the Group are as follows

These allow the Group to monitor costs and plan future exploration and development activities:

Key Performance Indicators

| | 2022 | 2021 |
|---|-------------|-------------|
| Cash and cash equivalents | £283,000 | £436,000 |
| Administrative expenses as a percentage of total assets | 51% | 119% |
| Exploration costs capitalised during the year | £617,000 | - |

Cash has been used to fund the Group's operations and facilitate its investment activities (refer to the Statement of Cash Flows on page 37).

Administrative expenses are the expenses related to the Group's ability to run the corporate functions to ensure they can perform their operational commitments.

Exploration costs capitalised during the year consist of exploration expenditure on the Group's exploration licences, net of foreign exchange rate movements and excludes any fair value uplift of acquisitions.

Other standard industry key performance indicators that will only become relevant in the coming years and therefore are not currently considered by the Directors are:

- Production of a Pre-Feasibility Study and a Bankable Feasibility Study ("BFS")
- Adhering to strict ESG standards – as determined by the jurisdiction and nature of the mining project
- Securing off-take partners ahead of commencement of mining
- Securing mine finance ahead of commencement of mining

Gender of directors and employees

The board of directors consists of two male executives and two male and one female non-executive directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have identified the following principal risks with regards to the Group's future. The relative importance of risks faced by the Group can, and is likely to, change as the Group executes its strategy and as the external business environment evolves. The financial risks to which the Group is exposed are detailed out in Note 3.

Strategy risk

The Company's strategy may not deliver the results expected by shareholders. The Directors regularly monitor the appropriateness of the strategy, taking into account both internal and external factors, together with progress in implementing the strategy, and modify the strategy as may be required based on developments. Key elements of this process are the Company's monthly reporting and regular Board meetings.

Concentration risk

Currently, the Company is focused on acquiring majority stakes in a number of mining assets in East and Central Africa with regards to the exploration, development and extraction of rare earth metals. The risk is that should these opportunities not result in commercial development

and subsequent success, the Company would be left without any assets for which value could be added. However, by acquiring multiple mining projects, the Company will reduce this risk.

Operational

Exploration/ Development risk

The exploration opportunities of the Company may not result in a commercial development and there is no certainty of success. The Company seeks to mitigate the development risk through: the development of more than one mining project, the experience and expertise of the Company's specialists, and the Company's African partners in these projects.

Other business risks

In addition to the current principal risks identified above and general business risks, the Company's business is subject to risks inherent in resources development and production activities. There are a number of potential risks and uncertainties which could have a material impact on the Company's long-term performance and could cause actual results to differ materially from expected and historical results. The Company has identified certain risks pertinent to its business including:

Strategic and Economic

- Failure to deliver on strategy and plans
- Business environment changes
- Limited diversification

Operational

- Failure to add value through development
- Difficulty in obtaining approvals and licences

Commercial

- Failure to maximise value from its various asset opportunities
- Loss of interest in key assets
- Regulatory and legal compliance

Human Resources and Management Processes

- Failure to recruit and retain key personnel
- Human error or deliberate negative action
- Inadequate management processes

Financial

- Restrictions in capital markets impacting available financial resource
- Cost escalation and budget overruns
- Fraud and corruption

Political

- Risk to business model due to political instability
- Expropriation and government interference
- Transfer and Conversion of currencies

The Directors regularly monitor such risks, using information obtained or developed from external and internal sources and will take actions as appropriate to mitigate these. Effective risk mitigation may be critical to the Company in achieving its strategic objectives and protecting its assets, personnel and reputation. The Company assesses its risk on an ongoing basis to ensure it identifies key business risks and takes measures to mitigate these. Other steps include regular Board review of the business, monthly management reporting, financial operating procedures and anti-bribery management systems. The Company reviews its business risks and management systems on a regular basis.

Environment, Health, Safety and Community Policy

The Company is aware of the potential impact that its operations may have on the environment. Accordingly, the Company ensures that with regard to the environment, it and its subsidiaries and contractors at a minimum comply with applicable UK and local regulatory requirements.

The Company will adopt best practice guidelines for its Health and Safety policy once its operations begin and its commitments to the community it works in will also be at the forefront of its operational procedures.

Section 172(1) statement and stakeholder engagement

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

The specific requirements of s172 are set out below, along with the approach adopted by the Directors to ensure they meet these requirements:

Consider the likely consequences of any decision on the long-term

The Company has had a transformative year, being its first full financial year in the rare earths sector. It is at an early stage of exploration, with a clear long-term strategy to ensure a sustainable flow of rare earths. It has established a pan-African network, including wholly-owned subsidiary companies in a number of African countries, to help identify, research and secure new opportunities in the rare earths mining sector.

Consider the interests of the Company's employees

The Company currently has no employees other than Directors in the UK but has employed local staff in Mozambique on temporary contracts which are expected to be moved to a permanent basis as the operations are further embedded. It is committed to the fair and ethical treatment of all of its staff.

Foster the Company's business relationships with suppliers, customers and others

In order to progress its project in Mozambique, the Company is reliant on the support of its key suppliers (drilling contractors, suppliers of local equipment and materials and security). It is therefore a key part of the Company's strategy to develop these relationships to ensure the Company maintains a strong and secure relationship with these suppliers.

Consider the impact of the Company's operations on the community and the environment

The Company is aware of the potential impact that its operations may have on the environment and local community. It has been working closely with the community at Monte Muambe to establish a borehole for a local water source and build stable communication infrastructure in the area. It has also installed solar panels on site and will be engaging an environmental consultant in the next stage of the project to ensure the impact of its operations are adequately addressed and views are heard from the effected communities.

Maintain a reputation for high standards of business conduct

The Company has established a number of policies and procedures and continues to develop these as it grows. It also follows the QCA rules on corporate governance as disclosed in the Corporate Governance Report which is included in this set of report and accounts.

Act fairly between members of the Company

The Directors hold 7.29% of the shares of the Company with the remainder held by a range of individuals and companies. The Company replaced various warrants in the year to ensure all shareholders were treated equitably and will continue to review warrant expiry dates to ensure early investors are treated fairly.

Approved on behalf of the Board:



Christian Taylor-Wilkinson

Chief Executive

14 December 2022

DIRECTORS' REPORT

The Directors present their report, together with the audited consolidated financial statements for the year ended 30 June 2022.

COMPANY INFORMATION

Altona Rare Earths Plc (the "Company") is a publicly listed company incorporated and domiciled in England & Wales. Its registered offices are at Eccleston Yards, 25 Eccleston Place, London SW1W 9NF. The Company's ordinary shares are listed on the Aquis Stock Exchange ("AQSE"). The Company's principal activity is that of being a Rare Earths exploration, development and extraction company focusing on opportunities in Africa.

RESULTS AND DIVIDENDS

The loss for the year before taxation amounted to £801,000 (2021: loss of £733,000).

The Directors do not recommend the payment of a dividend (2021: £Nil).

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the near future. The Directors believe the Company should seek to generate capital growth for its Shareholders. The Company may recommend distributions at some future date when it becomes commercially prudent to do so, having regard to the availability of the Company's distributable profits and the retention of funds required to finance future growth.

In the prior year the Merger reserve was derecognised as the acquired subsidiaries that gave rise to this reserve have been dissolved. Accordingly, the reserve was cancelled and recycled through retained earnings at the end of the current year resulting in a £2,001,000 increase to the Company's retained earnings.

FINANCIAL RISK MANAGEMENT

Note 3 of the financial statements details the financial risk factors affecting the Group and summarises the Group's policies for mitigating such risks through holding and issuing financial instruments. These policies have been followed during the current and prior year.

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

During the financial year, the Group maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy. The Group has not provided any qualifying indemnity cover for the Directors.

BUSINESS REVIEW, FUTURE DEVELOPMENTS AND KEY PERFORMANCE INDICATORS

A review of the business, future developments and key performance indicators are outlined in the Chairman's Report and the Strategic and Corporate Governance Report.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company during the year and their interests in the ordinary share capital of the Company were:

| | Number of ordinary shares | | Number of options and warrants | |
|----------------------------|---------------------------|--------------|--------------------------------|--------------|
| | 30 June 2022 | 30 June 2021 | 30 June 2022 | 30 June 2021 |
| Christian Taylor-Wilkinson | 1,912,371 | 5.10% | 1,845,811 | 8.52% |
| Martin Wood | 538,462 | 1.44% | 538,462 | 2.49% |

| | | | | | |
|--|---------|-------|---------|---------|---------|
| Audrey Mothupi | - | - | - | 100,000 | - |
| Cédric Simonet | 281,511 | 0.75% | 281,511 | 1.30% | 100,000 |
| Simon Tucker (resigned 1 August 2022) | - | - | - | 100,000 | - |
| Hilton Banda (resigned 24 February 2022) | - | - | - | - | - |

SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following interests of 3 per cent. or more in its issued share capital as at 9 November 2022:

| | Number of Ordinary shares | Percentage of holding |
|--|----------------------------------|------------------------------|
| JIM Nominees Ltd | 19,349,165 | 51.62% |
| Heiko Thomas | 2,663,365 | 7.11% |
| Aurora Nominees Limited | 1,924,280 | 5.13% |
| Winterflood Securities Limited | 1,906,429 | 5.09% |
| Christian Taylor – Wilkinson | 1,912,371 | 5.10% |
| Interactive Investor Services Nominees | 1,409,928 | 3.76% |
| Lawshare Nominees Limited | 1,208,900 | 3.23% |

DIRECTORS' REMUNERATION

Directors' remuneration is disclosed in note 6 to these financial statements.

POST REPORTING DATE EVENTS

Details of post reporting date events are disclosed in Note 22 of the financial statements.

ENVIRONMENTAL AND SOCIAL GOVERNANCE ("ESG")

Altona undertakes its exploration activities in a manner that minimises or eliminates negative environmental impacts and maximises positive impacts of an environmental nature. Altona believes that the environmental impact associated with its activities should be kept to the minimum. To ensure proper environmental stewardship on its projects, Altona will conduct certified baseline studies prior to all drill programmes and ensure that areas explored are properly maintained and conserved.

The Group's operations are currently at a relatively small scale. As such, the Group's environmental impact is relatively small when compared with larger businesses in the sector. Nevertheless, the Board recognises its responsibility to protect the environment (particularly as the business scales up) and is fully committed to conserving natural resources and striving for environmental sustainability, by ensuring that its facilities are operated to optimise energy usage; minimise waste production; and protect nature and people. The Group has demonstrated its commitment to sustainability through its installation of solar panels at its exploration site at Monte Muambe.

The Group is currently deemed to be a low energy user meaning it has consumed less than 40MWh of energy during the reporting period. This includes the consumption of fuel for transport and the purchase of electricity for its own use. As such, it is exempt from disclosing actual kWh of energy emitted during the period from its operations and activities.

As the Group's operations scale up, it will continue to monitor its energy use and its status as a low energy user. The Group will seek to collect, structure, and effectively disclose related

performance data for the material, climate-related risks and opportunities identified where relevant.

The Group's social impact is becoming increasingly important, not only to the communities in which the Group operates but also to our investors, suppliers and wider stakeholders. The Group will look to engage directly with local governments and communities to foster transparency and find common ground to ensure social progress and sustainable economic growth in the regions where we work.

The Group's Governance framework is well established but will be further strengthened in the coming year as the Company seeks to recruit another independent Board member. Access to capital remains challenging to mining companies such as ours and we believe that a higher ESG rating can enable access to a larger pool of attractively priced capital.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable or political donations were made in either year.

LISTING

The Company's ordinary shares are listed on the Aquis Stock Exchange ("AQSE"). Optiva Securities Limited is the Company's broker and Alfred Henry the Company's corporate adviser.

GOING CONCERN

The Company raises money for exploration and capital projects as and when required. There can be no assurance that the Company's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom, may be adversely affected by factors outside the control of the Company.

An operating loss is expected in the 12 months subsequent to the date of these financial statements. As a result the Group will need to raise funding to provide additional working capital within the next 12 months. The ability of the Group to meet its projected expenditure is dependent on these further equity injections and / or the raising of cash through bank loans or other debt instruments. These conditions necessarily indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the normal course of business. Whilst acknowledging this material uncertainty, the directors remain confident of raising finance and therefore, the directors consider it appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

CONTROL PROCEDURES

The Board has approved financial budgets and cash forecasts. In addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

PROVISION OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

PKF Littlejohn LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

ANNUAL GENERAL MEETING

This report and the Financial Statements will be presented to shareholders for their approval at the Company's Annual General Meeting ("AGM"). The Notice and date of the AGM will be notified to the shareholders on the website and through an RNS.

CORPORATE GOVERNANCE

A report on Corporate Governance can be found in the Corporate Governance Report on page 19 -25 of these financial statements. The Corporate Governance Report forms part of this directors' report and is incorporated into it by cross reference. The Group is committed to diversity of age, gender, educational and professional backgrounds however given the Groups size it does not have a specific policy in place.

WEBSITE PUBLICATION

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

This report was approved by the Board on 14 December 2022 and signed on its behalf.



Christian Taylor-Wilkinson

Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards. 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 Company and of the Group profit or loss 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

This report was approved and authorised for issue by the board on 14 December 2022 and signed on its behalf by:



Christian Taylor-Wilkinson

Chief Executive

CORPORATE GOVERNANCE REPORT

Principles of corporate governance

The Board of directors of the Group recognises the importance of sound corporate governance and applies The Quoted Company Alliance Corporate Governance Code (2018) (the 'QCA Code'), which it believes is the most appropriate recognised governance code for a Group of this size with shares to be admitted to trading on the Main market of the London Stock Exchange. It is believed that the QCA Code provides the Group with the framework to help ensure that a strong level of governance is maintained, enabling the Group to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

The QCA Code has ten principles of corporate governance that the Group has committed to apply within the foundations of the business. These principles are:

1. Establish a strategy and business model which promote long-term value for shareholders;
2. Seek to understand and meet shareholder needs and expectations;
3. Take into account wider stakeholder and social responsibilities and their implications for long term success;
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation;
5. Maintain the board as a well-functioning balanced team led by the Chair;
6. Ensure that between them the directors have the necessary up to date experience, skills and capabilities;
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
8. Promote a corporate culture that is based on ethical values and behaviours;
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board; and
10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Group believes that all these principles should be treated with equal weight in their Corporate Strategy and below follows a short explanation of how the Group will apply each of the principles:

Principle One

Business Model and Strategy

The Group has a clearly defined strategy and business model that is designed to promote long-term value for its shareholders. This strategy is a combination of extracting value from its long-term Rare Earth mining assets and developing opportunities in exciting new mining sector and is set out in more detail in the Strategy Report above.

Principle Two

Understanding Shareholder Needs and Expectations

All shareholders are encouraged to attend the Company's Annual General Meetings where they can meet and directly communicate with the Board. After the close of business at the Annual General Meeting, the Executive Chairman, or one of the UK non-executive directors will open the floor to questions from shareholders.

Shareholders are also welcome to contact the Company with any specific queries.

The Company also provides regulatory news through the Regulatory News Service (RNS). In addition, other financial and business news updates are provided through various media channels such as Twitter and UK online investor platforms. Shareholders also have access to information through the Company's website, www.altonaRE.com which is updated on a regular basis. Contact details are also provided on the website.

Principle Three

Considering wider stakeholder and social responsibilities

The Board takes regular account of the significance of social, environmental and ethical matters affecting the business of the Group. The Group is in the process of developing a specific written policy on Corporate Social Responsibility due to the increasing number of stakeholders that it is involved with. The Board will seek to integrate this policy into its strategy to protect the interests of the Group's stakeholders through individual policies and through ethical and transparent actions. The Company engages positively with regulatory authorities and stakeholders in its project locations and encourages feedback through this engagement. Through this process the Company identifies the key resources and fosters the relationships on which the business relies.

Principle Four

Risk Management

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible whilst recognising that its business opportunities carry an inherently high level of risk. The principal risks and uncertainties facing the Group at this stage in its development and in the foreseeable future are detailed out in the Strategic Report together with risk mitigation strategies employed by the Board.

Principle Five

A Well Functioning Board

The Board's role is to agree the Group's long-term direction and strategy and monitor achievement of its business objectives. The Board meets for these purposes as and when required with a minimum of 12 meetings per year. The Board receives reports for consideration on all significant strategic, operational and financial matters.

The Board is supported by the audit, remuneration and nominations committees, details of which can be found in Principle 9 below.

The Board currently consists of the UK Non-Executive Chairman (Martin Wood), the UK Chief Executive (Christian Taylor-Wilkinson), the Kenyan-based Chief Operating Officer (Cédric Simonet) and one Non-Executive Directors (Audrey Mothupi) in South Africa .

Only one of the two non-executive directors is considered independent of management by the Board and free from any business or other relationship which could materially interfere with the exercise of their independent judgement notwithstanding their representation of various shareholder groups.

Attendance at Board and Committee Meetings

The Group will report annually in the Directors' Report on the number of Board and committee meetings held during the year and the attendance record of individual Directors. Directors meet formally and informally both in person and by telephone. To date there have been 12

formal monthly meetings during the year ended 30 June 2022, and the volume and frequency of such meetings is expected to continue at this rate.

| <i>Director</i> | <i>Number of formal board meetings with possible attendance record in 2021-2022</i> |
|----------------------------|---|
| Christian Taylor-Wilkinson | 12/12 (and 1/1 Audit Committee meeting) |
| Cédric Simonet | 12/12 (and 1/1 Audit, 1/1 Nomination Committee meeting) |
| Audrey Mothupi | 11/12 (and 1/1 Audit, 1/1 Remuneration, 1/1 Nomination Committee meetings) |
| Simon Tucker | 9/12 (and 1/1 Audit, 1/1 Remuneration Committee meetings) |
| Martin Wood | 12/12 (and 1/1 Remuneration, 1/1 Nomination Committee meetings) |

Principle Six

Appropriate Skills and Experience of the Directors

The Board considers the current balance of sector, financial and public market skills and experience which it embodies is appropriate for the current size and stage of development of the Company and that the Board has the skills and experience necessary to execute the Company's strategy and business plan and discharge its duties effectively.

All Directors have access to the Company Secretary, Orana Corporate LLP, who are responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is no formal process to keep Directors' skill sets up-to-date given their wealth of experience. However, the Company's lawyers, auditors and broker provide regular updates on governance, financial reporting and Listing rules and the Board is able to obtain advice from other external bodies when necessary.

The Board recognises that it currently has a predominantly male Board and does not have a Finance Director. This will form a part of any future recruitment consideration if the Board concludes that replacement or additional Directors are required. The Board is aware, that as it grows, it will look to recruit and develop a diverse and gender-balanced team.

Biographies of the Board are as included below.

Martin John Wood (Non-Executive Chairman)

Martin is the founder and Managing Director of Vicarage Capital Limited, an FCA registered, full-service brokerage house which provides assistance to junior and mid-cap resources companies. Martin established Vicarage Capital in 2003 and has advised many companies on their AIM listings and long-term mining strategies.

Martin was the CEO of ASX listed, Kogi Iron Limited between 2017 and 2019, where he secured a community development agreement with key stakeholders, arranged indicative offers for full bank debt-based project financing, as well as completing various on-going milestones, including a Scoping Study and metallurgical test work, as part of the definitive feasibility study. Martin is a non-executive director of Toya Gold S.L.

Between 1993 and 2003, Martin worked in corporate finance at NM Rothchild & Sons, Standard Bank, London and Benfield Advisory, providing services to resources companies. Martin has an MBA from Exeter University which he gained in 1993.

Christian Taylor-Wilkinson (Chief Executive Officer)

Christian has been closely associated with Altona since 2014, as the financial PR adviser to the Company, through his agency, Leander PR, which he founded in 2009. He has spent his professional career in the City and has over 23 years' experience advising and working alongside companies of differing sizes and across many sectors, which has given him a broad perspective in the capital markets sector. Christian was instrumental in assisting the Company in its move away from being a coal mining company, to one which engaged in the rare earth elements sector.

His background spans investment banking, (investor relations and financial public relations). He is also a non-executive director of GCM Resources Plc, a mining and power company listed on AIM.

Cédric Valery Gerard Simonet (Chief operating Officer)

Cédric Simonet holds a PhD in Geology and has 25 years' experience exploring, developing and mining mineral deposits in Africa and in France. He was Head Geologist and Open Pit Manager at SOGEREM fluorspar mine (Alcan, France) and Africa Region Manager with IGE Resources AB. He was the Head of Drilling at AAA Drilling Ltd and General Manager of NuEnergy Gas Ltd during the same period between 2013 and 2014, before holding the role of General Manager at NuAfrica Gas between 2014 and 2017. He is a co-founder of Akili Minerals Services Ltd., a Nairobi based exploration services company, and has been involved in several exploration projects on REE-carbonatites in Kenya including Ruri, Homa Mountain, Buru and Mrima. He is also a former Chairman of the Kenya Chamber of Mines, and well experienced in operating in this and many other African countries.

Cédric is a member of the European Geologists Federation (Eur Geol no 739). He qualifies to act as a Competent Person (JORC) and as a Qualified Person (NI43-101) on REE-carbonatite exploration projects.

Audrey Mamoshoeshoe Mothupi (Non-Executive Director)

Audrey is the chief executive officer of SystemicLogic Group, a global financial innovation and technology disruptor. Prior to her appointment at SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and prior to that, Chief Executive of Strategic Services at the Liberty Group. She has more recently been appointed as an independent non-executive director at EOH Holdings Limited, an organisation providing the technology, knowledge, skills and organisational ability critical to Africa's development and growth.

Audrey is an independent, non-executive director on the Pick 'n' Pay board, served as the chairperson of Orange Babies of South Africa, a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans and vulnerable children across South Africa, Namibia and Zambia, and was a Member of the Nordic Female Business Angel Network (NFBAN) Board, an organisation that advocates impact investing as a way to demonstrate measurable impact and profitable business models.

Principle Seven

Evaluation of Board Performance

The ultimate measure of the effectiveness of the Board is the Company's progress against the long-term strategy and aims of the business. Appraisals have taken place in the year for the Executive Board and both key corporate targets as well as personal targets appropriate to

each Director have been set by the Remuneration Committee. Evaluation of the Non-Executives will be undertaken on an ad-hoc basis and the Board intend to set up a process for peer appraisal and introduce a board effectiveness questionnaire in the coming year.

Principle Eight

Corporate Culture

The Board recognises and strives to promote a corporate culture based on strong ethical and moral values. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Board takes account of employees' interests when making decisions, and suggestions from employees aimed at improving the Group's performance are welcomed.

Issues of bribery and corruption are taken seriously, The Group has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Group, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business and training is provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. Each employment contract specifies that the employee will comply with the policies. There are strong financial controls across the business to ensure on going monitoring and early detection.

Principle Nine

Maintenance of Governance Structures and Processes

The Board has overall responsibility for all aspects of the business. The non-Executive Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the non-executive directors are properly briefed on all operational and financial matters. The Executive Chairman and Chief Executive have overall responsibility for corporate governance matters in the Group.

The Chief Executive has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. Key operational and financial decisions are reserved for the Board on an ad hoc basis where required. The two Non-Executive Directors are responsible for bringing independent and objective judgment to Board decisions. The Board has established Audit, Nomination and Remuneration Committees with formally delegated duties and responsibilities.

Audit Committee

Following the resignation of Simon Tucker on 2 August 2022, the Company only has one non-executive director, Audrey Mothupi. As a result Martin Wood has joined the Audit, Nomination and Remuneration Committees on a temporary basis until a new non-executive director has been appointed at which point Martin Wood will step down from all the committees and will be replaced by the new director.

The Audit Committee is chaired by Audrey Mothupi and will meet at least two times each year. The Audit Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The committee also reviews regular reports from management and external auditors on accounting and internal control matters. Where appropriate, the committee monitors the progress of action taken in relation to such matters. The committee also recommends the appointment of, and reviews the fees, of the external auditors.

Remuneration Committee

The Remuneration Committee is chaired by Audrey Mothupi. It is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Company.

Nominations Committee

The Company has also established a Nominations Committee, which is chaired by Audrey Mothupi. The role of this committee is to assist the Board in monitoring and reviewing any matters of significance affecting the composition of the Board and the team of executives as appointed by the Company.

This Corporate Governance statement will be reviewed at least annually to ensure that the Company's corporate governance framework evolves in line with the Company's strategy and business plan.

Principle Ten

Shareholder Communication

The Company regularly communicates with, and encourages feedback from, its shareholders who are its key stakeholder group. The Company's website is regularly updated. The Company's Chief Executive, Christian Taylor-Wilkinson is responsible for shareholder communications and his contact details are on the website should stakeholders wish to make enquiries of management.

The Group's financial reports, Notices of General Meetings and Results of Voting can all be found on the Company's website.

Other relevant stakeholders

Non-audit work

The external auditor is acting as the Company's Reporting Accountant. This was approved by the Board as it did not affect the independence or objectivity of the external auditor and is considered to be one-off non-recurring work.

Internal controls/audit

The Directors acknowledge their responsibility for the Groups' system of internal control and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware no system can provide absolute assurance against material misstatement or loss, regular review of internal controls are undertaken to ensure that they are adequate and effective.

The Group does not currently have an internal audit function due to the small size of the Group and limited resources available. The requirement for an internal audit function is kept under review.

Whistleblowing

The Group has adopted a formal whistleblowing policy which aims to promote a very open dialogue with all its employees which gives every opportunity for employees to raise concerns about possible improprieties in financial reporting or other matters.

The Bribery Act 2010

The board is committed to acting ethically, fairly and with integrity in all its endeavours and compliance of the code is closely monitored.

Market Abuse Regulations

The Group is required to comply with article 18(2) of the Market Abuse Regulation (“MAR”) with reference to insider dealing and unlawful disclosure of inside information. The FCA requires traded companies to maintain insider lists as set out in the MAR. The Board has put in place a MAR compliance process and this and the Company’s regulatory announcements are overseen by the Board of Directors.

Approved on behalf of the Board of Directors.

A handwritten signature in blue ink, appearing to read "Martin Wood".

Martin Wood
Non-Executive Chairman

14 December 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTONA RARE EARTHS PLC

Opinion

We have audited the financial statements of Altona Rare Earths Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Group is not currently generating revenue and remains reliant on shareholder funding. The Group incurred a net loss of £801,000 during the year ended 30 June 2022. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. The Group is reliant on a successful fundraise by the Company to fund its operations for the foreseeable future. Management expect this to be post audit completion, following a successful admission to the standard market of the London Stock Exchange. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Review cash flow forecasts prepared by management for the period up to 30 June 2024, providing challenge to key assumptions and reviewing for reasonableness;

- Reviewing post-year end Aquis announcements and holding discussions with management on future plans, including the planned admission to the standard listing on the London Stock Exchange and associated fundraising to support the going concern assumption; and
- Reviewing and corroborating cash balance as at 30 November 2022 in the cash flow forecasts to banks statements

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit. Materiality applied to the group financial statements was £20,000 with performance materiality set at £15,000. This amount has been determined taking into consideration 3% of the group's net assets. Our determination was considered appropriate based on the areas of significant audit risk identified. Net assets principally include intangible assets, cash and cash equivalents and creditors. The going concern of the group is dependent on its ability to fund operations going forward including valuation of its assets, which represent the underlying value of the group.

We agreed with the audit committee that we would report all individual audit differences identified during the course of our audit in excess of £900 together with any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Materiality applied to the parent company's financial statements was £18,000 (2021: £30,923), with performance materiality set at £13,500 (2021: £21,646). The benchmark for determining materiality of the parent company was approximately 3% of net assets, based on the areas of significant audit risk identified. Net assets include investments, intragroup balances, cash and cash equivalent and creditors. The parent company is the funding vehicle for the exploration work carried out by the subsidiaries.

We agreed with the audit committee that we would report to them all audit differences identified during the course of our audit in excess of £600 (2021: £1,546). We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The audit of Monte Muambe Mining LDA ("MMM") was performed by component auditors, with materiality set by us at £12,000. There are no comparatives as the asset was newly acquired in the year ended 30 September 2022.

A benchmark of 75% for performance materiality during our audit of the group and parent company was applied as we believe that this would provide sufficient coverage of significant and residual risks.

Our approach to the audit

In designing our audit approach, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we assessed the areas requiring the Directors to make subjective judgements, for example in respect of significant accounting estimates and judgements including the carrying value of evaluation and exploration assets, the valuation of warrants, intra-group balances and investments in subsidiaries and the consideration of future events that are inherently uncertain. We also addressed the risk of

management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the group's material operating components which, for the period ended 30 June 2022, were located in the United Kingdom and Mozambique.

Monte Muambe Mining LDA has been assessed as a significant component of the group and therefore we designed procedures focused on exploration cost capitalisation and valuation of the exploration assets in accordance with IFRS 6. This work was significant in addressing our key audit matter in respect of capitalised exploration costs and valuation of explorations assets in which the group's exploration costs are recorded.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our scope addressed this matter |
|---|---|
| Warrants (existence, disclosure and valuation) (Note 17) | |
| During the year a material number of warrants were issued, which management consider to be investor and broker warrants. Furthermore, previously issued warrants of 20 pence were replaced during the year with new warrants with an exercise price of 12 pence per ordinary share. We consider the valuation of the warrants to be a significant accounting estimate and highly judgemental in nature. There is a risk that the warrants are valued and disclosed incorrectly in the financial statements. | <p>Our audit work included:</p> <ul style="list-style-type: none">• Discussions with management regarding any new warrants issued in the year;• A review of the terms of any new agreements/ instruments;• A review of management's assessment of fair value, including the treatment of the replacement warrants, against IFRS 2/ IAS 32 requirements;• Challenging management where relevant on the valuation, particularly focusing on key areas of estimation and judgement;• A review of the accounting policies against applicable accounting standard, and ensuring accounting treatment and disclosures are in line therewith. <p>We are satisfied on the basis of the work performed that the warrants have been</p> |

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|--|---|
| | correctly accounted for and disclosed in the financial statements. |
| Capitalisation and carrying value of Intangible Assets under IFRS 6 (Note 10) | |
| <p>During the year £617k of exploration work was undertaken in Mozambique. On acquisition, the mining permit had not yet transferred ownership and so work was carried out under the operator certificate. Therefore, there is a risk that development costs have been incorrectly capitalised in contravention of IFRS 6.</p> <p>There is also a risk that there could be indicators of impairment as at 30 June 2022. Management's assessment of impairment under IFRS 6 requires estimation and judgement, particularly given the early-stage of the exploration project. There is also a risk that the Group does not have ownership of the asset.</p> <p>Management's assessment of impairment under IFRS 6 requires estimation and judgement, particularly in early-stage exploration projects.</p> <p>There is a risk that the carrying value of these intangible assets is overstated.</p> | <p>Our audit work included:</p> <ul style="list-style-type: none"> • Confirmation, through the review of the component auditor's files, that the Group has good title to the applicable exploration licences/ certificates; • A review of the terms and conditions of the operator certificate; • Review of the component auditor's work over capitalised costs including consideration of appropriateness for capitalisation under IFRS 6; • Assessment of progress of the project during the period and post year-end and review of exploration budgets going forward; and • Consideration of management's impairment assessment, including challenge to all key assumptions and sensitivity to reasonably possible changes and the impairment indicators stated in IFRS 6 Exploration for and Evaluation of Mineral Resources. <p>Based on the audit work performed we do not consider intangible assets to be materially misstated. It is important though to draw users attention to the fact that the recoverable value is dependent on management being able to secure sufficient funding to complete their exploration and evaluation work and bring the assets to a commercial state.</p> <p>Failure to do this may result in an impairment to the assets held.</p> |
| Acquisition Accounting (Note 9) | |
| <p>The Company has acquired, in stages, a 20% investment in MMM as at 30 June 2022. This has been treated as an asset acquisition with the cost of acquisition being allocated to the individual assets acquired and liabilities assumed. MMM has also been treated as a subsidiary, given that the Company is able to exercise control.</p> | <p>Our audit work included:</p> <ul style="list-style-type: none"> • Obtaining all documentation around the purchase of MMM including; <ul style="list-style-type: none"> ○ Reviewing the sale and purchase agreements for investments purchased during the period; and |

| | |
|--|---|
| <p>Management judgement is involved in determining the appropriate accounting treatment, including whether the acquisition met the definition of a business combination in accordance with IFRS 3 and whether MMM should be treated as a subsidiary. Therefore there is a risk that the accounting for the acquisition is incorrect.</p> | <ul style="list-style-type: none"> ○ Obtaining Share certificates to confirm ownership of the investment at year end; ● Agreeing the level of consideration to supporting documentation, including the valuation of any deferred or contingent consideration; ● Reviewing and assessing management's methodology and accounting treatment of the step acquisition; ● Reviewing and recalculating expected non-controlling interest as at year end; and ● Reviewing and assessing the disclosures in the financial statements to ensure they explain the key judgements used in accounting for the acquisition. <p>Based on work performed, the acquisition of MMM was appropriately accounted for as an asset acquisition and the required disclosures have been made in the financial statements.</p> |
| <p>Recoverability of investments and intragroup balances (Company) (Notes 9 and 12)</p> <p>The Company holds material investments as at 30 June 2022 of £168k. There is also a material intragroup loan of £955k as the parent company funds exploration activity in Mozambique.</p> <p>Given that MMM is loss making and the other subsidiaries are dormant, there is a risk that the investment in subsidiaries, where intangibles are the main asset, may not be fully recoverable. The consideration of this by management includes significant levels of estimation and judgement.</p> | <p>Our audit work included:</p> <ul style="list-style-type: none"> ● Obtaining the impairment review for all investments held from management and corroborating the assumptions made to third party evidence; ● Reviewing component auditor responses in relation to MMM and ensuring that no impairment indicators exist; ● Reviewing the value of the net investment in MMM against the underlying assets and verifying and corroborating the judgements/estimates used by management to assess the recoverability of the investment and intercompany receivable; ● Confirmation of ownership of investments; ● Review of management's assessment of expected credit |

| | |
|--|--|
| | <ul style="list-style-type: none"> losses on intragroup receivables in accordance with IFRS 9 criteria; and Considering recoverability of investments and intragroup loans by reference to underlying asset values and exploration projects. <p>Based on the audit work performed we do not consider investments and intra-group assets to be materially stated. It is important though to draw users attention to the fact that the recoverable value of these assets is dependent on the success of the exploration and evaluation work being performed on the Mozambique asset which in turn is dependent on their being sufficient funding available to complete the work and that work delivering successful results.</p> <p>Failure to do achieve the required funding to pursue the in-country work may result in an impairment to the assets held.</p> |
|--|--|

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through detailed discussions with management about and potential instances of non-compliance with laws and regulations both in the UK and in overseas subsidiaries. We also selected a specific audit team based on experience with auditing entities within this industry of a similar size.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from
 - Aquis listing rules
 - QCA Corporate Governance code
 - Anti-Bribery and Money Laundering Regulations
 - Local industry regulations in Mozambique where exploration activity took place in the year

- Local tax and employment law in the UK and Mozambique
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - Making enquiries of management
 - Review of Board Minutes
 - Review of accounting ledgers and legal correspondence
 - Review of RNS announcements
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing over all journals on a risk based approach to identify any unusual transactions that could be indicative of fraud; reviewing accounting estimates for evidence of bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and reviewing transactions through the bank statements to identify potentially large or unusual transactions that do not appear to be in line with our understanding of business operations.
- As part of the group audit, we have communicated with component auditor the risks associated with the components of the group, including the risk of fraud as a result of management override of controls. To ensure that this has been completed, we have reviewed component auditor working papers in this area and obtained responses to our group instructions from the component auditors.

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

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

Use of our report

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

[Signature]

**Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor**

15 Westferry Circus
Canary Wharf
London E14 4HD

2022

STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|----------------|----------------|
| Continuing operations: | | | |
| Administrative expenses | | (742) | (547) |
| Exploration costs (not capitalised) | 5 | (59) | (182) |
| Operating loss | 7 | <u>(801)</u> | <u>(729)</u> |
| Finance costs | | - | (4) |
| Loss before taxation | | <u>(801)</u> | <u>(733)</u> |
| Income tax | 8 | - | - |
| Loss for the year from continuing operations | | <u>(801)</u> | <u>(733)</u> |
| Total loss for the year attributable to: | | | |
| Owners of Altona Rare Earths Plc | | (774) | (733) |
| Non-controlling interests | | (27) | - |
| | | <u>(801)</u> | <u>(733)</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit and loss:</i> | | | |
| Exchange differences on translation of foreign operations | | 2 | - |
| | | <u>(799)</u> | <u>(733)</u> |
| Total comprehensive loss attributable to: | | | |
| Owners of Altona Rare Earths Plc | | (773) | (733) |
| Non-controlling interests | | (26) | - |
| | | <u>(799)</u> | <u>(733)</u> |
| Earnings per share (expressed in pence per share) | | | |
| - Total Basic and Diluted earnings per share | 7 | <u>(2.72)p</u> | <u>(7.73)p</u> |

All of the above operations during the year are continuing.

The accounting policies and notes on pages 41 to 64 form part of these consolidated financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION
As at 30 June 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|----------------------------------|-------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 866 | - |
| Tangible assets | 11 | 173 | - |
| <i>Total non-current assets</i> | | 1,039 | - |
| Current assets | | | |
| Trade and other receivables | 12 | 119 | 21 |
| Cash and cash equivalents | | 283 | 436 |
| <i>Total current assets</i> | | 402 | 457 |
| TOTAL ASSETS | | 1,441 | 457 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | (314) | (321) |
| Deferred tax liabilities | 14 | (77) | - |
| <i>Total current liabilities</i> | | (391) | (321) |
| TOTAL LIABILITIES | | (391) | (321) |
| NET ASSETS | | 1,050 | 136 |
| EQUITY | | | |
| Share capital | 15 | 1,790 | 1,632 |
| Share premium | 15 | 21,404 | 19,869 |
| Share-based payment reserve | | 14 | - |
| Foreign exchange reserve | | 1 | - |
| Retained deficit | | (22,139) | (21,365) |
| Non-controlling interest | | 1,070 | 136 |
| TOTAL EQUITY | | 1,050 | 136 |

The financial statements were approved by the Board and authorised for issue on 14th December 2022 and signed on its behalf by:

Christian Taylor-Wilkinson – Chief Executive



The accounting policies and notes on pages 41 to 64 form part of these consolidated financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

COMPANY REGISTRATION NUMBER: 05350512

| | Notes | 2022 £'000 | 2021 £'000 |
|----------------------------------|-------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Tangible assets | 11 | 7 | - |
| Investment in subsidiaries | 9 | 168 | - |
| <i>Total non-current assets</i> | | 175 | - |
| Current assets | | | |
| Trade and other receivables | 12 | 986 | 21 |
| Cash and cash equivalents | | 230 | 436 |
| <i>Total current assets</i> | | 1,216 | 457 |
| TOTAL ASSETS | | 1,391 | 457 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | (309) | (321) |
| <i>Total current liabilities</i> | | (309) | (321) |
| TOTAL LIABILITIES | | (309) | (321) |
| NET ASSETS | | 1,082 | 136 |
| EQUITY | | | |
| Share capital | 15 | 1,790 | 1,632 |
| Share premium | 15 | 21,404 | 19,869 |
| Share-based payment reserve | | 14 | - |
| Retained deficit | | (22,126) | (21,365) |
| TOTAL EQUITY | | 1,082 | 136 |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its individual Company Statement of Comprehensive Income.

The Company's loss for the year from operations is £761,000 (2021: loss of £733,000).

The financial statements were approved by the Board and authorised for issue on 14th December 2022 and signed on its behalf by:

Christian Taylor-Wilkinson – Chief Executive



The accounting policies and notes on pages 41 to 64 form part of these financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
For the year ended 30 June 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|---------------|---------------|
| Cash flows from operating activities | | | |
| Loss for the year before taxation | | (801) | (733) |
| <i>Adjustments for:</i> | | | |
| Interest paid | | - | 4 |
| Depreciation | | 5 | - |
| Shares issued for services | | 10 | 306 |
| Foreign exchange movements | | 2 | - |
| Operating cashflows before movements in working capital | | (784) | (423) |
| Increase in trade and other receivables | | (98) | (1) |
| Increase/(decrease) in trade and other payables | | 50 | (104) |
| Net cash used in operating activities | | (48) | (105) |
| | | (832) | (528) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary, net of cash acquired | 9 | (80) | - |
| Purchases of property, plant and equipment | 11 | (178) | - |
| Purchases on intangible assets | 10 | (617) | - |
| Net cash used in investing activities | | (875) | - |
| Cash flows from financing activities | | | |
| Repayment of overdraft | | - | (99) |
| Repayment of Directors loans | | (31) | (25) |
| (Repayment of)/ Proceeds from bank loan | | (25) | 25 |
| Proceeds from issue of shares | | 1,688 | 1,118 |
| Costs of issue | | (78) | (51) |
| Finance costs | | - | (4) |
| Net cash generated from financing activities | | 1,554 | 964 |
| Net (decrease)/ increase in cash and cash equivalents | | (153) | 436 |
| Cash and cash equivalents at beginning of the year | | 436 | - |
| Cash and cash equivalents at the end of the year | | 283 | 436 |

Significant non-cash transactions

The significant non-cash transactions were the issue of shares detailed in note 15 and the asset acquisition as detailed in note 9.

The accounting policies and notes on pages 41 to 64 form part of these financial statements

PARENT COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 June 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|----------------|---------------|
| Cash flows from operating activities | | | |
| Loss for the year before taxation | | (761) | (733) |
| Adjustments for: | | | |
| Shares issued for services | | 10 | 306 |
| Interest paid | | - | 4 |
| Depreciation | | 1 | - |
| Operating cashflows before movements in working capital | | (750) | (423) |
| Increase in trade and other receivables | | (10) | (1) |
| Increase/(decrease) in trade and other payables | | 45 | (104) |
| | | 35 | (105) |
| Net cash used in operating activities | | (715) | (528) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary, net of cash acquired | | (80) | - |
| Loans granted to subsidiary undertakings | 9 | (958) | - |
| Purchases of plant, property and equipment | | (7) | - |
| Net cash used in investing activities | | (1,045) | - |
| Cash flows from financing activities | | | |
| Repayment of bank overdraft | | - | (99) |
| Repayment of Directors loans | | (31) | (25) |
| (Repayment)/Proceeds from loan | | (25) | 25 |
| Proceeds from issue of shares | | 1,688 | 1,118 |
| Costs of issue | | (78) | (51) |
| Finance costs | | - | (4) |
| Net cash generated from financing activities | | 1,554 | 964 |
| Net (decrease)/increase in cash and cash equivalents | | (206) | 436 |
| Cash and cash equivalents at beginning of the year | | 436 | - |
| Cash and cash equivalents at the end of the year | | 230 | 436 |

Significant non-cash transactions

The significant non-cash transactions were the issue of shares detailed in note 15 and the asset acquisition as detailed in note 9.

The accounting policies and notes on pages 41 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Retained deficit £'000 | Foreign exchange reserve £'000 | Share-based payment reserve £'000 | NCI £'000 | Total equity £'000 |
|--|------------------------|------------------------|-------------------------|---------------------------|-----------------------------------|--------------------------------------|--------------|-----------------------|
| Balance at 30 June 2020 | 1,431 | 18,697 | 2,001 | (23,856) | 1,223 | - | - | (504) |
| <i>Comprehensive income</i> | | | | | | | | |
| Loss for the year | - | - | - | (733) | - | - | - | (733) |
| Total comprehensive income | - | - | - | (733) | - | - | - | (733) |
| <i>Transactions with owners recognised directly in equity</i> | | | | | | | | |
| Issue of shares | 201 | 1,223 | - | - | - | - | - | 1,424 |
| Cost of share issue | - | (51) | - | - | - | - | - | (51) |
| Realisation of foreign exchange reserve on dissolution of subsidiaries | - | - | - | 1,223 | (1,223) | - | - | - |
| Derecognition of merger reserve | - | - | (2,001) | 2,001 | - | - | - | - |
| Total transactions with owners recognised directly in equity | 201 | 1,172 | (2,001) | 3,224 | (1,223) | - | - | 1,373 |
| Balance at 30 June 2021 | 1,632 | 19,869 | - | (21,365) | - | - | - | 136 |
| <i>Comprehensive income</i> | | | | | | | | |
| Loss for the year | - | - | - | (774) | - | - | (27) | (801) |
| Currency translation | - | - | - | - | 2 | - | - | 2 |
| NCI share in translation difference | - | - | - | - | (1) | - | 1 | - |
| Total comprehensive income | - | - | - | (774) | 1 | - | (26) | (799) |
| <i>Transactions with owners recognised directly in equity</i> | | | | | | | | |
| Issue of shares | 158 | 1,627 | - | - | - | - | - | 1,785 |
| Cost of shares issued | - | (92) | - | - | - | 14 | - | (78) |
| Additional transactions with NCI | - | - | - | - | - | - | 6 | 6 |
| Total transactions with owners recognised directly in equity | 158 | 1,535 | - | - | - | 14 | 6 | 1,713 |
| Balance at 30 June 2022 | 1,790 | 21,404 | - | (22,139) | 1 | 14 | (20) | 1,050 |

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

| | Share capital £'000 | Share premium £'000 | Share-based payment reserve £'000 | Merger reserve £'000 | Retained deficit £'000 | Total equity £'000 |
|---|------------------------|------------------------|--------------------------------------|-------------------------|---------------------------|-----------------------|
| Balance at 30 June 2020 | 1,431 | 18,697 | - | 2,001 | (22,633) | (504) |
| <i>Comprehensive income</i> | | | | | | |
| Loss for the year | - | - | - | - | (733) | (733) |
| Total comprehensive income | - | - | - | - | (733) | (733) |
| <i>Transactions with owners recognised directly in equity</i> | | | | | | |
| Issue of shares | 201 | 1,223 | - | - | - | 1,424 |
| Cost of share issue | - | (51) | - | - | - | (51) |
| Derecognition of Merger reserve | - | - | - | (2,001) | 2,001 | - |
| Total transactions with owners recognised directly in equity | 201 | 1,172 | - | (2,001) | 2,001 | 1,373 |
| Balance at 30 June 2021 | 1,632 | 19,869 | - | - | (21,365) | 136 |
| <i>Comprehensive income</i> | | | | | | |
| Loss for the year | - | - | - | - | (761) | (761) |
| Total comprehensive income | - | - | - | - | (761) | (761) |
| <i>Transactions with owners recognised directly in equity</i> | | | | | | |
| Issue of shares | 158 | 1,627 | - | - | - | 1,785 |
| Cost of shares issued | - | (92) | 14 | - | - | (78) |
| Total transactions with owners recognised directly in equity | 158 | 1,535 | 14 | - | - | 1,707 |
| Balance at 30 June 2022 | 1,790 | 21,404 | 14 | - | (22,126) | 1,082 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Altona Rare Earths Plc (the “Company”) is a public company listed on the AQUIS Stock Exchange (“AQSE”). The Company is incorporated and domiciled in England & Wales, with registered number 05350512.

The principal activity of the Company and its subsidiaries (the “Group”) is Rare Earths exploration, development and extraction, focusing on opportunities in Africa. The Group is made up of the Company and the subsidiaries as set out in note 9 below.

The principal accounting policies are summarised below. They have been applied consistently throughout the year. The financial statements have been prepared on the historical cost basis, except for the assets acquisition which was measured at fair value.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency of the parent company is Pounds Sterling (£) as this is the currency that finance is raised in. The functional currency of its main subsidiary is Mozambique Meticals (MTN) as this is the currency that mainly influences labour, material and other costs of providing services. The Group has chosen to present its consolidated financial statements in Pounds Sterling (£), as the Directors believe it is the most relevant presentational currency for users of the consolidated financial statements. All values are rounded to the nearest thousand pounds (£'000) unless otherwise stated. Foreign operations are included in accordance with the policies set out below.

The preparation of financial statements 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 information are disclosed in Note 2.

GOING CONCERN

The Company raises money for exploration and capital projects as and when required. There can be no assurance that the Company’s projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom, may be adversely affected by factors outside the control of the Company.

An operating loss is expected in the 12 months subsequent to the date of these financial statements. As a result the Group will need to raise funding to provide additional working capital within the next 12 months. The ability of the Group to meet its projected expenditure is dependent on these further equity injections and / or the raising of cash through bank loans or other debt instruments. These conditions necessarily indicate that a material uncertainty exists that may cast significant doubt over the Group’s ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the normal course of business. Whilst acknowledging this material uncertainty, the directors remain confident of raising finance and therefore, the directors consider it appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

The auditors have made reference to going concern by way of a material uncertainty within the financial statements.

NEW STANDARDS AND INTERPRETATIONS

a) New standards, amendments and interpretations adopted by the Group.

During the current year the Group adopted all the new and revised standards, amendments and interpretations that are relevant to its operations and are effective for accounting periods beginning on 1 July 2021. This adoption did not have a material effect on the accounting policies of the Group.

| Standard | Impact on initial application | Effective date |
|-----------------|--|-----------------------|
| Several | Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate benchmark Reform – Phase 2 | 1 January 2021 |
| IFRS 16 | Amendment to IFRS 16 in respect of Covid-19 Related Rent Concessions | 1 January 2021 |

b) New standards, amendments and interpretations not yet adopted by the Group.

The standards and interpretations that are relevant to the Group, issued, but not yet effective, up to the date of the Financial Statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

| Standard | Impact on initial application | Effective date |
|--|---|-----------------------|
| IFRS 10 and IAS 28 (Amendments) | Long term interests in associates and joint ventures | Unknown |
| Amendments to IAS 1 | Classification of Liabilities as current or non-current | 1 January 2023 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before intended use | 1 January 2022 |
| Amendments to IAS 37 | Onerous contracts – Cost of fulfilling a contract | 1 January 2022 |
| Annual Improvements to IFRS Standard 2018-2020 Cycle | Amendments to IFRS 1 First time adoption of IFRS Standards, IFRS 9 Financial Instruments, IFRS Leases | 1 January 2022 |

The Directors have evaluated the impact of transition to the above standards and do not consider that there will be a material impact of transition on the financial statements.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Per IFRS 10, control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The Group recognises any non-controlling interest in the acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Asset Acquisitions

Acquisitions of mineral exploration licences through the acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset.

Where an acquisition transaction constitutes the acquisition of an asset and not a business, the consideration paid is allocated to assets and liabilities acquired based on their relative fair values, with transaction costs capitalised. No gain or loss is recognised. Consideration paid in the form of equity instruments is measured by reference to the fair value of the asset acquired. The fair value of the assets acquired would be measured at the point control is obtained. The Group recognises the fair value of contingent consideration in respect to an asset acquisition, where it is probable that a liability has been incurred, and the amount of that liability can be reasonably estimated. Such contingent consideration is recognised at the time control of the underlying asset is obtained, and such an amount is included in the initial measurement of the cost of the acquired assets.

The Group recognises contingent consideration in the form of cash, and contingent consideration in the form of equity instruments. Contingent consideration in the form of cash is recognised as a liability, and contingent consideration in the form of equity instruments is recognised in the contingent share reserve. For contingent cash consideration milestones, the Group estimates a probability for the

likelihood of completion to estimate the total liability for the expected variable payments. The probability estimated for the likelihood of completion is considered at each reporting period. Movements in the fair value of contingent cash consideration payable is capitalised as part of the asset. For contingent share consideration milestones, the Group estimates a probability for the likelihood of completion to estimate the total contingent share consideration payable. The probability estimated for the likelihood of completion is not reassessed in subsequent reporting periods.

Deferred tax is not recognised upon an asset acquisition

FOREIGN CURRENCIES AND FOREIGN EXCHANGE RESERVE

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision-maker. The chief decision-maker has been identified as the Executive Board, at which level strategic decisions are made.

An operating segment is a component of the Group:

- That engages in business activities from which it may earn revenues and earn expenses,
- Whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

TAXATION

Current income tax assets and liabilities for the current period 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, at the reporting date, in the countries where the Group operates.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit or loss. In principle, deferred tax liabilities are 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.

The Group has losses to be carried forward on which no deferred tax asset is recognised due to the uncertainty as to the timing of profit.

INTANGIBLE ASSETS - EXPLORATION AND EVALUATION ASSETS

Mineral exploration and evaluation expenditure relates to costs incurred in the exploration and evaluation of potential mineral resources and includes exploration and mineral licences, researching and analysing historical exploration data, exploratory drilling, trenching, sampling and the costs of pre-feasibility studies.

Exploration and evaluation expenditure for each area of interest, other than that acquired from another entity, is charged to the consolidated statement of income as incurred except when the expenditure is expected to be recouped from future exploitation or sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalised. Purchased exploration and evaluation assets are recognised at their fair value at acquisition. As the capitalised exploration and evaluation expenditure asset is not available for use, it is not depreciated.

Exploration and evaluation assets have an indefinite useful life and are assessed for impairment annually or 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. IFRS 6 permits impairments of exploration and evaluation expenditure to be reversed should the conditions which led to the impairment improve. The Group continually monitors the position of the projects capitalised and impaired.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the Income Statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are stated at cost, less accumulated depreciation, and any provision for impairment losses. The asset's residual values, useful lives and methods of depreciation /amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

Depreciation is charged on each part of an item of property, plant, and equipment to write off the cost of assets less the residual value over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement. The estimated useful lives are as follows:

Buildings/Constructions – 25 years
Heavy machinery and equipment – 8 years
Precision machinery, computer and printers – 4 years
Vehicles – 4 years

FINANCIAL INSTRUMENTS

Financial assets

Classification

The Group's financial assets consist of financial assets held at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets held at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Group's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents at the year end.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Financial assets are initially measured at fair value plus transaction costs. Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Financial assets are subsequently carried at amortised cost using the effective interest method.

Other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. The other receivables in the accounts do not contain significant financing components.

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. For trade and other receivable due within 12 months the Group applies the simplified approach permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but rather recognises a loss allowance based on the financial asset's lifetime expected credit losses at each reporting date.

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 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.

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 Group, for economic or legal reasons relating the borrower's financial difficulty, granting the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (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 profit or loss.

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 profit or loss.

Financial liabilities at amortised cost

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.

Other financial liabilities are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are de-recognised when the Group's contractual obligations expire or are discharged or cancelled.

INVESTMENTS AND LOANS IN SUBSIDIARIES

The Company recognises its investments in subsidiaries at cost, less any provision for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all investments in and loans to subsidiaries.

RESERVES

Merger Reserve

The difference between the fair value of an acquisition and the nominal value of the shares allotted in a share exchange has been treated in accordance with the merger relief provisions of the Companies Act 2006 and accordingly no share premium for such transactions was required to be recognised, resulting in a credit to the merger reserve. In prior year the Merger reserve was derecognised as the acquired subsidiaries that gave rise to this reserve have been dissolved. Accordingly, the reserve was cancelled and recycled through retained earnings at the end of the prior year.

Other Reserves

Share capital represents the amount subscribed for shares at nominal value.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share-based payments reserve represents equity-settled share-based employee remuneration for the fair value of the warrants issued. It also includes the warrants issued for services rendered accounted for in accordance with IFRS 2.

The foreign exchange translation reserve arises from the translation of the Group's foreign operations at each year end. The assets and liabilities of these operations are translated at exchange rates prevailing on the reporting date and differences, if any, are recognised in this reserve.

Retained earnings include all current and prior period results as disclosed in the Statement of Comprehensive Income, less dividends paid to the owners of the Company.

The Non-Controlling Interest reserve shows the share of equity that belongs to others besides the parent company.

SHARE BASED PAYMENTS

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The equity-settled share-based payments are expensed to profit or loss or capitalised to investments or intangibles in the statement of financial position over a straight line basis over the vesting period based on the Company's estimate of shares that will eventually vest. A corresponding entry is then made in the share-based payment reserve.

The fair value of these share-based payments is determined using Black-Scholes option pricing models and the assumptions are included in note xx to the financial statements.

The Group has two types of share-based payments other than employee compensation.

Warrants issued for services rendered which are accounted for in accordance with IFRS 2 recognising either the costs of the service if it can be reliably measured or the fair value of the warrant (using Black-Scholes option pricing models – see note 17).

Warrants issued as part of share issues have been determined as equity instruments under IAS 32. Since the fair value of the shares issued at the same time is equal to the price paid, these warrants, by deduction, are considered to have been issued at nil value.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing;

- the profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the

amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a) Critical judgement in the recoverability of exploration and evaluation assets (see note 10)

Exploration and evaluation assets include mineral rights and exploration and evaluation costs, including geophysical, topographical, geological 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. According to 'IFRS 6 Exploration for and evaluation of mineral resources', the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences 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. The current exploration projects are actively being progressed and therefore the Company does not believe any circumstances have arisen to indicate these assets require impairment.

b) Critical judgement in accounting for acquisitions and fair value (see note 9)

On 23 June 2021, the Company acquired 1% of the issued share capital of Monte Muambe Mining Lda ("MMM") and on 15 June 2022, the Company acquired a further 19%. The Directors have judged this to be an asset acquisition as MMM is not considered under IFRS 3 to be a business (see note 9 for further details). The fair value of this asset acquisition has been assessed as the same as the consideration paid which was a combination of cash (£80,000) and 1 million consideration shares which were fair valued at £88,000 using the market price of the Company's shares on the date of issue.

c) Consolidation of entities with less than 50% ownership (see note 9)

The directors have concluded that the Group controls Monte Muambe Mining Lda, even though it holds less than half of the voting rights of this subsidiary. This is because an agreement signed between the shareholders grants the Company the right to appoint the majority of the Board of Directors with management responsibility for directing the relevant activities over this subsidiary. Therefore the Group holds 67% of the voting rights.

d) Critical judgement in the recoverability of VAT (see note 12)

At 30 June 2022, the Group recognised an amount of £80,000 (6,200,445 MTN) within other receivables which relates to VAT receivable from the Mozambique government. New legalisation in Mozambique has provided a path for companies operating in the mining sector to seek reimbursement of VAT prior to the production stage. Therefore the Directors believe that the amount will be recovered in full and have not recognised any impairment to the carrying value of this amount.

e) Company only - Critical judgement in the impairment assessment of investment in and loans to subsidiaries (see notes 9 and 12)

In preparing the parent company financial statements, the Directors apply their judgement to decide if any or all of the Company's loans to its subsidiaries should be impaired. These companies have no source of funds other than their parent company and the ability of the companies to repay their inter-

company debt and for the Company to gain value from its investments in the companies is dependent on the future success of the companies' exploration activities.

In undertaking their review, the Directors consider the outcome of their impairment assessment of the exploration and evaluation assets as noted above.

In view of the recent acquisition of Monte Mumabe Mining Lda, and the Resource Estimate expected in 2023 the Directors do not believe an impairment is appropriate in relation to the investments or loans to these subsidiaries.

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The financial instruments were categorised as follows:

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Financial assets measured at amortised cost: | | | | |
| Trade and other receivables | 94 | 3 | 10 | 3 |
| Cash and cash equivalents | 283 | 436 | 230 | 436 |
| | 377 | 439 | 240 | 439 |
| Financial liabilities measured at amortised cost: | | | | |
| Trade and other payables | 125 | 146 | 120 | 146 |
| | 125 | 146 | 120 | 146 |

The Group's financial instruments comprise cash and sundry receivables (all of which are carried at amortised cost) and payables that arise directly from its operations.

The main risks arising from financial instruments are credit risk, liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below. There have been no substantial changes to 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.

There is no significant difference between the carrying value and fair value of receivables, cash and cash equivalents and payables.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss. The Company has adopted a policy of only dealing with creditworthy counterparties, as assessed by the Directors using relevant available information. Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. The Company's cash deposits are only held in banks and financial institutions which are independently rated with a minimum credit agency rating of B. At year end 80% of the Group's cash was held in the UK at HSBC (credit rating AA-) and 20% was held in Mozambique at the Millennium Bank (credit rating B). There were no bad debts recognised during the year and there is no provision required at the reporting date nor any linked IFRS 9 disclosures. The balances are not material at year end and therefore no sensitivity analysis has been performed.

Liquidity risk

Liquidity risk arises from the management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Short term payables are classified as those payables that are due within 30 days. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain liquid cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

Funding risk

Funding risk is the possibility that the Group might not have access to the financing it needs. The Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. The Directors have a strong track record of raising funds as required. Controls over expenditure are carefully managed and activities planned to ensure that the Group has sufficient funding.

Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group reports in Pounds Sterling, but the functional currency of its subsidiary is the Mozambique Meticals (MTN). The Group does not currently hedge its exposure to other currencies. The Group's cash and cash equivalents are held in Pounds Sterling and MTN. At 30 June 2022, only 19% (2021: nil) of the Group's cash and cash equivalent were held in MTN. A 10% increase in the strength of Sterling against MTN would cause an estimated increase of £3,000 (2021: n/a) on the loss after tax of the Group for the year ended 30 June 2022, with a 10% weakening causing an equal and opposite decrease.

Interest rate risk

The Group finance operations through the issue of equity share capital. The Group manages the interest rate risk associated with the Group's cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the Group requires to the funds for working capital purposes. At the reporting date, cash at bank floating interest rate is not subject to any interest receivable. The Group has not performed a sensitivity analysis in relation to the interest rate movements on financial assets as this is not considered to be material.

Capital Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained losses. The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Group meets its capital needs by equity financing. The Group sets the amount of capital it requires to fund the Group's project evaluation costs and administration expenses. 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. The Group do not have any derivative instruments or hedging instruments. It has been determined that a sensitivity analysis will not be representative of the Group's position in relation to market risk and therefore, such an analysis has not been undertaken.

4. SEGMENTAL INFORMATION

For the purpose of IFRS 8, the Chief Operating Decision Maker “CODM” takes the form of the board of directors. The directors are of the opinion that the business of the Group focused on two reportable segments as follows:

- Head office, corporate and administrative, including parent company activities of raising finance and seeking new investment and exploration opportunities, all based in the UK and
- Mineral exploration, all based in Mozambique.

The geographical information is the same as the operational segmental information shown below.

| Year ended 30 June 2022 | Corporate and Administrative (UK) £'000 | Mineral exploration (Mozambique) £'000 | Total £'000 |
|--|--|---|----------------|
| Operating loss before and after taxation | 774 | 27 | 801 |
| Segment total assets (net of investments in subsidiaries) | 305 | 1,136 | 1,441 |
| Segment liabilities | (308) | (83) | (391) |

No segmental information has been provided for prior year as there was only one segment, being the Head office in the UK – corporate and administrative. As such the prior year financial statements of the segment is the same as that set out in the prior year statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows.

5. EXPENSES BY NATURE

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Exploration expenditure (not capitalised) | 59 | 182 |
| Fees payable to the Group's Auditors for Audit | 30 | 14 |
| Fees payable to associates for audit of Company's subsidiary | 5 | - |
| Fees payable to the Group's Auditors for Corporate finance services | 22 | 10 |
| Legal and professional fees | 88 | 279 |
| Depreciation | 5 | - |
| IPO costs | 100 | - |
| Wages and salaries | 380 | 244 |
| Other | 112 | - |
| | 801 | 729 |

Exploration expenditure mainly comprises of amounts relating to pre-licence due diligence costs that have not yet resulted in the securing of licences. This is in accordance with IFRS 6 which specifically excludes expenditure incurred before the entity has obtained legal rights to explore in a specific area.

6. STAFF COSTS (INCLUDING DIRECTORS)

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|---------------|---------------|
| Salaries and fees | 412 | 241 |
| Pensions | 1 | - |
| Social security costs | 22 | 3 |
| Total staff costs | 435 | 244 |
| Amounts capitalised in intangibles | (55) | - |
| | 380 | 244 |

The average monthly numbers of employees (both permanent and temporary) during the year ended 30 June 2022 was 14 (2021: 2 employees) and is shown in the table below. The costs of the wages and salaries in MMM have been capitalised as part of the cost of exploration assets additions in the year.

Key management and personnel are considered to be the Directors.

| | 2022 £'000 | 2021 £'000 |
|----------------|---------------|---------------|
| Management | 3 | 2 |
| Technical | 2 | - |
| Administration | 9 | - |
| | 14 | 2 |

The total amount payable to the highest paid director in respect of emoluments was £144,000 (2021: £105,000). No Directors exercised any share options/warrants during the year.

The Group operated a stakeholder pension scheme. The Group made pension contributions totalling £1,393 (2021:Nil) during the year.

Executive and Non-Executive's Directors' remuneration

The table below sets out the remuneration received by the Directors for the year ended 30 June 2022 and 30 June 2021:

| | Salary £'000 2022 | Salary £'000 2021 | Pensions £'000 2022 | Pensions £'000 2021 | Total £'000 2022 | Total £'000 2021 |
|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|------------------------|------------------------|
| Executive directors: | | | | | | |
| Christian Taylor-Wilkinson | 143 | 105 | 1 | - | 144 | 105 |
| Cédric Simonet | 95 | 14 | - | - | 95 | 14 |
| | 238 | 119 | 1 | - | 239 | 119 |
| Non-executive directors: | | | | | | |
| Audrey Mothupi | 24 | 10 | - | - | 24 | 10 |
| Simon Tucker | 24 | 10 | - | - | 24 | 10 |
| Martin Wood | 46 | 35* | - | - | 46 | 35* |
| Hilton Banda (a) | 13 | - | - | - | 13 | - |
| | 107 | 55 | - | - | 107 | 55 |
| TOTAL | 345 | 174 | 1 | - | 346 | 174 |

*Includes shares issued in lieu of fees in prior year

a) Hilton Banda resigned on the 24th February 2022 and this salary includes 3 months notice period of £6,000.

7. EARNINGS PER SHARE

The basic earnings per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

| | 2022 | 2021 |
|--|---------|---------|
| Loss for the year (£'000) | (801) | (733) |
| Weighted average number of shares – expressed in thousands | 29,466 | 9,485 |
| Basic earnings per share – expressed in pence | (2.72p) | (7.73p) |

As the inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive and, as such, the diluted loss per share calculation is the same as the basic loss per share.

8. INCOME TAX

The income and deferred tax charge for the year was £nil (2021: £nil) due to the losses incurred.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses of the consolidated entities as follows:

| GROUP | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Loss before tax | (801) | (733) |
| Tax at the applicable rate of 25% (2021:19%) | (200) | (139) |
| Expenses not deductible for tax purposes | 148 | 31 |
| Tax losses for which no deferred tax is recognised | (653) | (702) |
| Total tax charge | - | - |

The weighted average applicable tax rate of 25% (2021: 19%) used is a combination of the 19% standard rate of corporation tax in the UK and 31% Mozambique corporation tax.

The Group has total tax losses of £33,126,000 to carry forward against future profits (2021: £32,472,000 losses brought forward). No deferred tax asset on losses carried forward has been recognised on the grounds of uncertainty as to when profits will be generated against which to relieve said amount.

9. INVESTMENT IN SUBSIDIARIES

| COMPANY | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| <i>Cost and net book value</i> | | |
| Investments in subsidiaries at beginning of year | - | - |
| Incorporation of subsidiaries | 1 | - |
| Additions | 167 | - |
| Investments in subsidiaries at end of year | 168 | - |

During the year the following subsidiaries were incorporated/ acquired. Dates of incorporation/ acquisition and registered addresses are listed below.

| Subsidiaries of Altona Rare Earths Plc | Country of Registration | Date of Incorporation /Acquisition | Registered Address | Holding | | Nature of Business |
|--|-------------------------|------------------------------------|---|---------|----------|--------------------------------|
| | | | | 2022 % | 2021 110 | |
| Altona Rare Earths (Uganda) Limited | Uganda | (prior year) 30 March 2021 | Plot 2&4A Nakasero Road, Kampala, Uganda. | 100 | 100 | Mineral exploration and mining |
| Altona Rare Earths (Tanzania) Limited | Tanzania | 5 August 2021 | Plot No.466, Block 43, Mpakani A, Kinondoni, Tanzania. | 100 | - | Mineral exploration and mining |
| Altona Rare Earths Mauritius Ltd | Mauritius | 17 February 2022 | c/o Griffon Solutions Ltd, C2-410, 4 th Floor, Office Block C, Grand Baie, Mauritius | 100 | - | Business activities |
| Monte Muambe Mining Lda | Mozambique | 23 June 2021 | Avenida 24 de Julho, no 851 R/C, Maputo, Mozambique. | 20% | - | Mineral exploration and mining |
| Altona Mozambique, Lda* | Mozambique | 27 May 2022 | c/o Griffon Solutions Ltd, C2-410, 4 th Floor, Office Block C, Grand Baie, Mauritius | 100% | - | Mineral exploration and mining |
| Altona Mozambique 11, Lda* | Mozambique | 27 May 2022 | c/o Griffon Solutions Ltd, C2-410, 4 th Floor, Office Block C, Grand Baie, Mauritius | 100% | - | Mineral exploration and mining |
| Altona Mozambique 111, Lda* | Mozambique | 27 May 2022 | c/o Griffon Solutions Ltd, C2-410, 4 th Floor, Office Block C, Grand Baie, Mauritius | 100% | - | Mineral exploration and mining |

*subsidiaries held indirectly through Altona Rare Earths Mauritius Ltd.

On 23 June 2021, the Company acquired 1% of the issued share capital of Monte Muambe Mining Lda (“MMM”), a newly incorporated exploration company based in Mozambique, for a cash consideration of £40,000. The acquisition provides the Company with the opportunity to expand its mineral exploration programme. Altona Rare Earths Plc was deemed to have gained control over MMM on 12 August 2021, due to holding the majority of voting rights on the board of directors of MMM.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed as a result of the acquisition are as follows:

| | Net book value of assets acquired £'000 | Fair value adjustments £'000 | Fair value of assets acquired £'000 |
|---|--|---------------------------------|--|
| Intangible assets | - | 58 | 58 |
| Deferred tax liability | - | (18) | (18) |
| Total identifiable assets acquired and liabilities assumed | - | 40 | 40 |

Fair Value of Consideration Paid:

| | |
|--------------------------|----|
| Total cash consideration | 40 |
|--------------------------|----|

Under IFRS 3, a business must have three elements: inputs, processes and outputs. MMM is an early stage exploration company. It has no mineral reserves and no plan to develop mines. It has a title to mineral properties but this could not be considered an input because of its early stage of development. The company do not have processes to produce outputs and have not completed a feasibility study or a preliminary economic assessment on any of its properties and no infrastructure or assets that could produce outputs. Therefore, the Directors' conclusion is that the above transaction is an asset acquisition and not a business combination. The fair value adjustment to intangible assets of £58,000 represents the excess of the purchase consideration of £40,000 over the excess of the net assets acquired (net assets of £nil) and a deferred tax liability of £18,000.

On 15 June 2022, the Company acquired a further 19% of the issued share capital of MMM, for a cash consideration of £40,000 and 1 million consideration shares which were fair valued at £88,000 using the market price of the Company's shares on the date of issue.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed as a result of the additional 19% acquisition are as follows:

| | Net book value of assets acquired £'000 | 19% of NBV assets acquired £'000 | Fair value adjustments £'000 | Fair value of assets acquired £'000 |
|---|--|---|---|--|
| Intangible assets | 617 | 117 | 191 | 308 |
| Tangible fixed assets | 167 | 32 | | 32 |
| Financial assets | 103 | 19 | | 19 |
| Financial liabilities | (912) | (173) | - | (173) |
| Deferred tax liability | - | - | (59) | (59) |
| Total identifiable assets acquired and liabilities assumed | (25) | (5) | 132 | 127 |

| Fair Value of Consideration Paid: |
|--|
| Cash consideration |
| Share consideration |
| Total consideration |

40
87
127

Consistent with the 1% acquisition, the Directors' conclusion is that the above transaction is an asset acquisition and not a business combination for the reasons set out above that MMM does not have inputs, processes or outputs. The fair value adjustment to intangible assets of £132,000 represents the excess of the purchase consideration of £127,500 over the excess of the net assets acquired (net assets of £(5,000)) and a deferred tax liability of £59,000.

During the period since acquisition, MMM contributed a loss of £24,000 to the Group. If the acquisition had occurred on 1 July 2021, consolidated pro-forma loss for the year ended 30 June 2022 would have been £24,000.

10. INTANGIBLE ASSETS

The intangible assets held by the Group increased primarily as a result of the acquisition of Monte Muambe Mining Lda (“MMM”) and the work carried out thereon. See note 9 for further information.

| | Exploration and evaluation assets £'000 |
|---|---|
| Cost and carrying amount | |
| At 1 July 2021 | - |
| Exploration and evaluation assets acquired at fair value (note 9) | 249 |
| Additions to exploration assets | 617 |
| At 30 June 2022 | 866 |

Exploration projects in Mozambique are at an early stage of development and there were no JORC (Joint Ore Reserves Committee) or non-JORC compliant resource estimates available to enable value in use calculations to be prepared at year end.

In accordance with IFRS 6, the Directors undertook an assessment of the following areas and circumstances which 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.
- Sufficient data exists to indicate that the book value may not be fully recovered from future development and production.

Following their assessment, the Directors concluded that no impairment charge in respect to any licences held, was necessary for the year ended 30 June 2022(2021: £nil).

11. TANGIBLE FIXED ASSETS

| GROUP | Buildings | Heavy machinery | Precision machinery and office equipment | Vehicles | Total Assets |
|----------------------------------|-----------|--------------------|---|-----------|-----------------|
| | £' 000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 July 2021 | - | - | - | - | - |
| Additions | 32 | 107 | 15 | 24 | 178 |
| At 30 June 2022 | 32 | 107 | 15 | 24 | 178 |
| Accumulated depreciation | | | | | |
| At 1 July 2021 | - | - | - | - | - |
| Depreciation charge for the year | - | 1 | 3 | 1 | 5 |
| At 30 June 2022 | | | | | |
| Net book value | | | | | |
| At 30 June 2021 | - | - | - | - | - |
| At 30 June 2022 | 32 | 106 | 12 | 23 | 173 |

| COMPANY | Precision Machinery and office equipment | £'000 |
|----------------------------------|---|----------|
| Cost | | |
| At 1 July 2021 | | - |
| Additions | | 8 |
| At 30 June 2022 | | 8 |
| Accumulated depreciation | | |
| At 1 July 2021 | | - |
| Depreciation charge for the year | | 1 |
| At 30 June 2022 | | |
| Net book value | | |
| At 30 June 2021 | | - |
| At 30 June 2022 | | 7 |

12. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Loans to related parties (see note 20) | - | - | 955 | - |
| Taxes & Social security receivable | 94 | 3 | 10 | 3 |
| Prepayments and other receivables | 25 | 18 | 21 | 18 |
| | 119 | 21 | 986 | 21 |

13. TRADE CREDITORS AND OTHER PAYABLES

| | Group | | Company | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Trade payables | 115 | 90 | 112 | 90 |
| Bank loans | - | 25 | - | 25 |
| Loans from directors | - | 31 | - | 31 |
| Accruals and other payables | 199 | 175 | 197 | 175 |
| | 314 | 321 | 309 | 321 |

Trade and other payables are non-interest bearing and are normally settled on terms of 30 days from month end. The directors consider that the carrying amount of financial liabilities recorded at amortised costs in the financial statements approximate their fair value.

During the prior year, a loan was provided to the Company from Director, Christian Taylor-Wilkinson for working capital purposes. The loan was repaid in the current year.

14. DEFERRED TAX

| | Group | |
|--|---------------|---------------|
| | 2022 £'000 | 2021 £'000 |
| Deferred tax liability brought forward | - | - |
| Acquisition of 1% of subsidiary | 59 | - |
| Acquisition of 19% of subsidiary | 18 | - |
| Deferred tax liability carried forward | 77 | - |

The deferred tax liability has arisen following the acquisitions in the year which have been accounted for as asset acquisitions. Therefore, a deferred tax liability has been recognised on the Fair Value uplift of the assets acquired (see note 9), which has been calculated at a rate of 31% of the uplift of asset value being the applicable Mozambique tax rate.

15. SHARE CAPITAL

| | 2022 No. | 2022 £'000 | 2021 No. | 2021 £'000 |
|---|----------------------|---------------|----------------------|---------------|
| Ordinary Shares | | | | |
| Ordinary shares at 1 July | 21,665,990 | 217 | 1,602,433 | 16 |
| Shares issued in the year (see table below) | 15,819,009 | 158 | 20,063,557 | 201 |
| TOTAL ORDINARY SHARES at 30 June | 37,484,999 | 375 | 21,665,990 | 217 |
| Deferred Shares at 0.09p | | | | |
| Deferred shares at 1 July | 1,411,956,853 | 1,271 | 1,411,956,853 | 1,271 |
| Movement during the year | - | - | - | - |
| | 1,411,956,853 | 1,271 | 1,411,956,853 | 1,271 |
| Deferred Shares at 9p | | | | |
| Deferred shares at 1 July | 1,602,434 | 144 | 1,602,434 | 144 |
| Movement during the year | - | - | - | - |
| | 1,602,434 | 144 | 1,602,434 | 144 |
| TOTAL DEFERRED SHARES at 30 June | 1,413,559,287 | 1,415 | 1,413,559,287 | 1,415 |
| TOTAL SHARES at 30 June | 1,451,044,286 | 1,790 | 1,435,312,277 | 1,632 |

| ORDINARY SHARES | Number of shares - ordinary No. | Share | Share | Total |
|--------------------------|--|------------------|------------------|--------|
| | | Capital £'000 | Premium £'000 | |
| As at 1 July 2020 | 1,602,433 | 16 | 18,697 | 18,713 |
| Issued 21 September 2020 | 263,158 | 3 | 22 | 25 |
| Issued 11 November 2020 | 1,307,693 | 13 | 72 | 85 |
| Issued 1 December 2020 | 2,130,179 | 21 | 117 | 138 |
| Issued 28 January 2021 | 8,324,841 | 83 | 458 | 541 |
| Issued 28 January 2021 | 1,669,385 | 17 | 92 | 109 |
| Issued 11 March 2021 | 3,977,790 | 40 | 219 | 259 |
| Issued 30 March 2021 | 198,886 | 2 | 11 | 13 |

| | | | | |
|---------------------------|-------------------|------------|---------------|---------------|
| Issued 31 March 2021 | 250,000 | 2 | 23 | 25 |
| Issued 5 May 2021 | 44,231 | 1 | 2 | 3 |
| Issued 6 May 2021 | 348,766 | 3 | 37 | 40 |
| Issued 18 June 2021 | 1,480,836 | 15 | 163 | 178 |
| Issued 25 June 2021 | 67,792 | 1 | 7 | 8 |
| <i>Share issue costs</i> | - | - | (51) | (51) |
| As at 30 June 2021 | 21,665,990 | 217 | 19,869 | 20,086 |
| Issued 9 September 2021 | 83,333 | 1 | 9 | 10 |
| Issued 9 September 2021 | 8,285,676 | 83 | 1,077 | 1,160 |
| Issued 20 October 2021 | 200,000 | 2 | 26 | 28 |
| Issued 10 May 2022 | 6,250,000 | 62 | 438 | 500 |
| Issued 13 June 2022 | 1,000,000 | 10 | 77 | 87 |
| <i>Share issue costs</i> | - | - | (92) | (92) |
| As at 30 June 2022 | 37,484,999 | 375 | 21,404 | 21,779 |

On 9 September 2021, the Company issued 83,333 ordinary shares of £0.01 each at an issue price of £0.12 to a service provider in lieu of cash settlement for services provided to the Company with a total value of £10,000.

On 9 September 2021, the Company raised gross proceeds of £1,159,995 through the placing of 8,285,676 ordinary shares at £0.14 per share.

On 20 October 2022, the Company completed the placing above and raised a further gross proceeds of £28,000 through the placing of an additional 200,000 ordinary shares at £0.14 per share.

On 10 May 2022, the Company raised gross proceeds of £500,000 through the placing of 6,250,000 ordinary shares at £0.08 per share.

On 13 June 2022, the Company issued 1,000,000 ordinary shares of £0.01 each at a deemed price of £0.0875 per share to the owners of Monte Muambe Mining Lda as part of the consideration for the acquisition of a further 19% interest of said company.

PRIOR YEAR:

On 21 September 2020, the Company issued 263,158 ordinary shares of £0.01 each at deemed price of £0.095 per share, totalling £25,000, to the Leadway Group Ltd as consideration for a period of exclusivity over the Nankoma licence area as part of the initial due diligence for this potential acquisition.

On 11 November 2020, the Company issued 1,307,693 ordinary shares of £0.01 each at an issue price of £0.065 in settlement of fees owed, amounting to £85,000 due to Martin Wood, Chairman (£35,000) and to Christian Taylor-Wilkinson, Chief Executive, (£50,000).

On 1 December 2020, the Company raised gross proceeds of £138,462 through the placing of 2,130,178 ordinary shares at £0.065 per share. This included the issue of 123,077 shares to a service provider in lieu of cash settlement for services provided to the Company with a total value of £8,000.

On 28 January 2021, the Company raised gross proceeds of £541,115 through the placing of 8,324,841 ordinary shares at £0.065 per share.

On 28 January 2021, the Company issued 1,669,385 ordinary shares of £0.01 each at an issue price of £0.065 in settlement of fees owed, amounting to £108,510 due to various directors, consultants and professional advisors; Philip Sutherland, Director (£28,000), Cedric Simonet, Consultant (£12,585), Christian Taylor-Wilkinson, Chief Executive, (£50,000) and other service providers (£37,300).

On 11 March 2021, the Company raised gross proceeds of £258,556 through the placing of 3,977,790 ordinary shares at £0.065 per share.

On 30 March 2021, the Company issued 198,886 ordinary shares of £0.01 each at an issue price of £0.065 to a service provider in lieu of cash settlement for services provided to the Company with a total value of £12,928.

On 31 March 2021, the Company issued 250,000 ordinary shares of £0.01 each at an issue price of £0.10 to a service provider in lieu of cash settlement for services provided to the Company with a total value of £25,000.

On 5 May 2021, the Company issued 44,231 ordinary shares of £0.01 each at an issue price of £0.065 to a service provider in lieu of cash settlement for services provided to the Company with a total value of £2,875.

On 6 May 2021, the Company issued 348,766 ordinary shares of £0.01 each at an issue price of £0.115 to the service provider Leander PR Limited (£30,000) and Cedric Simonet, Consultant (£10,108) in cash settlement for fees owed, totalling £40,108.

On 18 June 2021, the Company raised gross proceeds of £177,700 through the placing of 1,480,836 ordinary shares at £0.12 per share.

On 25 June 2021, the Company issued 67,792 ordinary shares of £0.01 each at an issue price of £0.12 to a service provider in lieu of cash settlement for services provided to the Company with a total value of £8,135.

The deferred shares do not have any voting rights nor carry dividend and distribution rights, however have the right on a return of assets on liquidation not exceeding the amount paid up on the deferred shares as may be available after payment to each holder of ordinary shares the sum of £10,000 per ordinary share.

16. SHARE-BASED PAYMENTS

The Company periodically grants share options to employees, consultants and Directors, as approved by the Board. At 30 June 2022 and 30 June 2021, the following share options were outstanding in respect of the ordinary shares:

Year ended 30 June 2022

| Grant Date | Expiry Date | Number of Options Outstanding at beginning of the year | Issued in Year | Expired | Exercised in Year | Number of Options Outstanding at end of the year | Exercise Price per Option |
|------------|-------------|--|----------------|---------|-------------------|--|---------------------------|
| 21.07.17 | 21.07.22 | 180,000 | - | - | - | 180,000 | 500p ³ |
| 21.07.17 | 21.07.22 | 90,000 | - | - | - | 90,000 | 500p ⁴ |
| | | 270,000 | - | - | - | 270,000 | |

Year ended 30 June 2021

| Grant Date | Expiry Date | Number of Options Outstanding at beginning of the year | Issued in Year | Expired | Exercised in Year | Number of Options Outstanding at end of the year | Exercise Price per Option |
|------------|-------------|--|----------------|---------|-------------------|--|---------------------------|
| 01.04.16 | 01.04.21 | 6,500 | - | 6,500 | - | - | 1,500p ² |
| 01.04.16 | 01.04.21 | 6,500 | - | 6,500 | - | - | 1,500p ² |
| 21.07.17 | 21.07.22 | 180,000 | - | - | - | 180,000 | 500p ³ |
| 21.07.17 | 21.07.22 | 90,000 | - | - | - | 90,000 | 500p ⁴ |
| | | 283,000 | - | 13,000 | - | 270,000 | |

All outstanding share options expired on the 21 July 2022. The weighted average contractual life of share options outstanding at the end of the year was 0 years (2021: 1 year).

The highest and lowest market price of the Company's shares during the year was 13.8p and 8.1p respectively (2021: 13p and 5p). The share price at year end was 8.1p (2021: 10p).

No charge has been recognised in the statement of consolidated comprehensive income on the basis of materiality.

17. WARRANTS

The Company has issued the following warrants, which are still in force at the balance sheet date.

| Date of Issue | Reason for issue | Number of Warrants | Exercise Price | Expiry date |
|--------------------------|---------------------------------|--------------------|----------------|----------------|
| Issued 21 January 2021 | Placing warrants – Share issue | 1,218,847 | 12p | 31 March 2023 |
| Issued 2 March 2021 | Placing warrants – Share issue | 4,387,395 | 12p | 31 March 2023 |
| Issued 10 March 2021 | Directors warrants - Investors | 1,100,000 | 12p | 31 March 2024 |
| Issued 17 March 2021 | Placing warrants – Share issue | 1,988,895 | 12p | 10 March 2023 |
| Issued 5 May 2021 | Placing warrants – Share issue | 442,309 | 12p | 31 March 2023 |
| Issued 18 June 2021 | Placing warrants – Share issue | 740,420 | 12p* | 31 March 2023 |
| Issued 10 September 2021 | Placing warrants – Share issue | 4,463,078 | 12p* | 31 March 2023 |
| Issued 11 May 2022 | Broker warrants – Cost of issue | 342,857 | 14p | 6 October 2024 |
| Issued 11 May 2022 | Broker warrants – Cost of issue | 375,000 | 8p | 24 April 2025 |
| Issued 18 June 2022 | Placing warrants – Share issue | 3,125,000 | 12p | 31 March 2023 |
| | | 18,183,801 | | |

*On the 26 June 2022, the Company replaced all 20 pence warrants issued during the June 2021 and September 2021 placings with new warrants with an exercise price of 12 pence per Ordinary Shares. They all still retain their expiry date of 31 March 2023. This exercise was completed to recognise that shareholders who had previously invested in the Company had been issued warrants at a higher exercise price than the more recent placings. An equitable solution was sought by the Board and ultimately the Directors believe that this decision would, in the medium term, create shareholder value.

The Placing warrants were issued to investors as part of new share placings. More details of these placings can be found in note 15 above. These investor warrants have been determined as equity instruments under IAS 32. Since the fair value of the shares issued at the same time is equal to the price paid, these warrants, by deduction, are considered to have been issued at nil value.

The Broker warrants have been fair valued at £14,449 in accordance with IFRS 2 as equity settled share-based payment transactions. £14,449 has been recognised as the fair value of Broker services received during the year. This amount is attributable to the cost of shares issued and therefore has been accounted for in the Share Premium reserve.

The fair value was calculated using the Black Scholes model with inputs as detailed below:

| | Broker warrants | Broker warrants |
|-------------------------|-----------------|-----------------|
| Number of warrants | 342,857 | 375,000 |
| Share price | 11.5p | 9p |
| Exercise price | 14p | 8p |
| Expected life | 3 years | 3 years |
| Volatility | 31% | 31% |
| Risk-Free Interest rate | 0.13% | 0.13% |
| Expected dividends | - | - |
| Fair Values | £5,613 | £8,836 |

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price.

The following table sets out the movement of warrants during the year, no warrants were exercised during either year:

| | Number of warrants | Exercise price (pence) |
|---------------------------|--------------------|------------------------|
| As at 1 July 2020 | - | - |
| Issued in the year | 9,877,866 | 12p |
| As at 30 June 2021 | 9,877,866 | 12p |
| Issued in the year | 8,305,935 | 8p to 14p |
| As at 30 June 2022 | 18,183,801 | 8p to 14p |

The weighted average price of the warrants at the year end is 11.8p (2021: 12p) and weighted average life of the warrants is 0.88 years (2021: 1.85 years).

18. RESERVES AND NCI

The following describe the nature and purpose of each reserve within owners' equity:

| Reserve | Description and Purpose |
|-----------------------------|---|
| Share capital | Amount subscribed for share capital at nominal value |
| Share premium | Amount subscribed for share capital in excess of nominal value. |
| Share-based payment reserve | Reserve created to recognise share-based payments such as warrants used in lieu of cash settlement. |
| Merger reserve | Reserve created on issue of shares on acquisition of subsidiaries in prior years. derecognised in prior year due to dissolution of said subsidiaries. |
| Non-Controlling Interest | Reserve created to recognise the 80% Non controlling interest at year end. |
| Retained deficit | Cumulative net gains and losses recognised in the consolidated statement of comprehensive income |

19. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022 the only capital commitments of the Group relate to the Farm-Out Agreement in Mozambique which sets out a minimum spend for each phase of the project. As at the year end the Group must spend £190,000 (\$220,000) to complete phase 2 by March 2023.

20. RELATED PARTY TRANSACTIONS

The key management personnel are considered to be the Directors. Details of their remuneration are included in note 6 above.

At the year end £57,500 (2021: £57,500) is owing to Leander PR Limited, a company who Christian Taylor-Wilkinson is a director, for marketing, public and investor relations services.

In the prior year 1,799,333 ordinary shares at prices between 6.5p and 11.5p were issued to Christian Taylor-Wilkinson in lieu of cash to settle director fees owed to him. Christian lent £32,500 to the Company in the prior year be able to continue to meet its working capital obligations. This loan was fully paid back and attracted no interest charge in the prior year.

During the year, before taking on an executive role, Cédric Simonet, Chief Operating Officer, was employed as a contractor through his company Akili Minerals Services Ltd. He was paid £12,813 (2021: £40,585) to act as a Consultant Geologist for the Company, £nil (2021: £22,693) of this was settled through the issue of 281,511 ordinary shares.

21. CONTROLLING PARTY

The directors consider that there is no single controlling party.

22. POST REPORTING DATE EVENTS

The Company entered into a short-term loan facility on 8 November 2022, enabling it to drawdown up to £150,000 in two tranches in November, from Align Research Investments Ltd (“Align”). The loan has a repayment date of the earlier of either Admission or 31 January 2023 and carries a fixed interest rate of 15%. Align will also receive 12 pence warrants equal to 150% of the loan value, with a three year expiration date from drawdown.