CADENCE MINERALS PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2019

Company No 05234262

CADENCE MINERALS PLC

COMPANY INFORMATION

For the year ended 31 December 2019

Company registration number:	05234262
Registered office:	Suite 3B Princes House 38 Jermyn Street London SW1Y 6DN
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Auditors:	Chapman Davis LLP Registered Auditor Chartered Accountants 2 Chapel Court London SE1 1HH

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Forward-looking Statement

This annual report contains ‘forward-looking information’, which may include, but is not limited to, statements with respect to the future financial and operating performance of Cadence Minerals, its subsidiaries, investment assets and affiliated companies, the estimation of mineral resources, the realisation of mineral resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new deposits, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, environmental risks, title disputes or claims.

Often, but not always, forward-looking statements can be identified by the use of words such as ‘plans’, ‘expects’, ‘is expected’, ‘budget’, ‘scheduled’, ‘estimates’, ‘forecasts’, ‘intends’, ‘anticipates’ or ‘believes’, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results ‘may’, ‘could’, ‘would’, ‘might’ or ‘will’ be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Cadence and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of UK Pounds Sterling relative to the United States Dollar, and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of products; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, adverse weather conditions, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although Cadence has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this annual report and Cadence disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this annual report should be construed as a profit forecast.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2019

First and foremost our thoughts are with families and friends, shareholders and investors during this shape-shifting pandemic. The Board and I hope all have found comfort and safety, well being and support during these extraordinary and unprecedented times.

There is no doubt that such turbulent conditions have created major disruptions and dislocations. However the Board has been well prepared and ready. I thank my fellow Board members for this dynamism and effort. Cadence Minerals ("Cadence" or the "Company")) staff and management have been used to working remotely and via phone/ video conference and quickly adapted to this new challenge.

The Board has continued its driven agenda to proceed with the support for portfolio companies whilst at the same time progress with the main target of the Amapá iron ore project in Brazil.

To this effect and to highlight a few of the achievement by our portfolio companies I would like, with the Board to offer congratulations to MacArthur Minerals on the successful conclusion of its convertible note, the life of mine Off -take agreement with Glencore and the successful listing on the Australian Stock Exchange. These are noticeable achievements for the company and combined with the ongoing successful drilling campaigns at Lake Giles bodes well.

Further European Metal Holdings successfully concluded a lengthy negotiation with the Czech utility company CEZ. This will allow EMH to complete many of its strategic goals and to become one of Europe's largest and lowest cost lithium producers.

Hastings Technology are JV partner in the Yangibana Rare Earths project also concluded and completed a negotiation with the German based Schaffler Group that will enable the company to pursue its targets.

The Board hope that the next few years will witness a significant harvest as projects progress to operation and revenue, and previously identified opportunities realise higher valuations. All management companies of the portfolio companies within Cadence are wished the best of success.

The recent economic contraction has been severe and turbulent. However our investments have always been based on long-term assumptions and not the idiosyncrasies of the market. There is significant hope that recently announced global stimulus measures will lead to a re opening and recovery sooner than later. This will contribute to a significant appreciation in the company's portfolio and therefore revenue and shareholder return.

Cadence's focus on iron ore opportunities appears particularly timely. The stimulus measures specifically relate to infrastructure which benefits Steel demand which by derivative benefits Iron Ore consumption. Argus publications have reported April and May 2020 China steel production higher than that in 2019 and have predicted that China will produce over 1 billion tons of Steel in 2020. This will require more Iron Ore globally and should support the long term Iron Ore price.

China have announced over $140 billion in provincial bonds with increasing government incentives in real estate and infrastructure, which account for over fifty percent of Chinese domestic Steel demand. It is clear that steel production and therefore Iron Ore demand is at the front and center of global stimulus policy.

A rapid global supply response to higher iron ore prices and steel demand has some serious headwinds and constraints. The tragic events at Vales Brumadinho operations and the higher capital costs of new projects represent such challenges. Economic and political struggles combined with higher governance and regulation means operational consistency and good fortune is required to continue to supply the insatiable Steel demand.

Cadence has focused enormous efforts on the Amapá iron ore project. It is immensely pleasing for the board that significant milestones and hurdles were recently achieved, all whilst the global economy was on " pause" Cadence and its partners, lawyers and consultants all maintained dialogue and pressure to focus on the process to achieve significant results. This will initially result in the movement of of iron ore currently stockpiled and ultimately in the rehabilitation of the Amapá system. As the opportunity progresses the Board is cognizant of the need for sustainability at all levels of the opportunity. The performance and Governance metrics that will be required to re habilitate the mine; port and rail will be stringent and strict.

Cadence has proven its ability to be flexible, opportunistic and survive and thrive. The Board feels the underlying conditions are developing to optimise the portfolio.

I would like to personally thank all Cadence’s management, fellow board members, staff ,consultants, partners and of course all Shareholders for their support and confidence in the Company.

Andrew Suckling
Non Executive Chairman
25 June 2020

CHIEF EXECUTIVE OFFICER'S REVIEW

Cadence's investment portfolio has advanced significantly over the year. The focus of our efforts has been the advancement of the Amapá iron ore project and we have spent most of our human and investment capital there.

In addition, given the capital constraints we continue to see within the equity and debt markets our view is that early stage exploration assets will have a difficult time raising sufficient capital to progress up the development curve, therefore we have sought to retain, where possible, the investments which have the highest probability of attracting capital and entering production and disposed or ceased further investment of those that do not.

This has meant that our portfolio in now focused on assets that are at the scoping study to pre-construction stage of development. Along with the relatively advanced nature of these projects we believe that they have the right cost structure and scale to deliver a substantial return to Cadence.

As mentioned above most of our efforts has been focused on the Amapá iron ore project in Brazil ("Amapá Project"). The terms of our investment were finalised in June 2019, which meant Cadence could earn in up to 27% (for US$ 6 million) in the project. In addition to the above we have a first right of refusal to increase our percentage up to 49%.

Prior to its sale in 2012 Anglo American valued its 70% stake in the Amapá Project at US$866 million (100% 1.2 billion) and after impairment at US$462m in its 2012 Annual Report (100% US$600m) and during its operation the mine generated an annual operating profit of up to U$171 million (100%).

During the remaining of the year along with our partners we progressed the development of the asset through the legal process and achieved some significant milestones and importantly subsequent to the year end the owner of the Amapá Project was granted authority to commence shipment of iron ore stockpiles situated at the wholly-owned port in Santana, Amapá, Brazil.

As we have mentioned on numerous occasions, the opportunity to be able to invest in such a project is rare within in our industry and we believe this project provides us with a potentially transformative asset for Cadence. The Amapá project gives the Company the potential for an exceptional return on investment in the run-up to full production and an opportunity to become a significant shareholder in a mid-tier iron ore producer.

Elsewhere in our investment portfolio, of note was the progress made by European Metals Holdings, which completed its preliminary feasibility study that through process optimisations and the production of lithium hydroxide saw an increase in NPV to in excess of USD 1 billion dollars. Most importantly, it shows a globally competitive cost of $3,435/t per tonne of lithium hydroxide. In addition and subsequent to the year end European Metals Holdings secured and completed an investment from CEZ as. of EUR 29.1 million for a 51% equity interest in Geomet, the Company's Czech subsidiary and holder of the Cinovec licenses

Strategy

Cadences' strategy has continued to evolve and as stated above, given the current dearth of capital of early exploration projects, the Company has focused on assets that are in the more advanced stages of development, which are therefore more likely to reach production and deliver returns to Cadence. Even so the risk associated with investing in any resource projects at these stages is still relatively high as assets are more sensitive to external risks, such as financing and regulatory. Therefore, and to mitigate these risks, our goal from the outset is to obtain a deep fundamental understanding of the asset, its potential economics, operating and legal environment and its management team.

By doing so, we can eliminate many of the potential investments that we review during the year and fund projects that we believe will deliver value to our shareholders. We look to fund projects via earning in, at solely our option, and if possible, look to incentivise our joint venture partners via equity in Cadence against deliverables that will add value. Importantly we also take an active approach to our investments by being part of the management team and enshrining our minority shareholder protections in joint venture agreements.

Outlook

At the time of writing all our major investments are progressing well. We will continue to review our investments in our investee companies, with regular meetings with management. Assuming we can complete our investment in the Amapá Project, the coming year will be focused on developing this asset, which if successful has the potential to deliver substantial value to Cadence.

MARKET REVIEW

Lithium

During 2019 approximately 315,000 tonnes of lithium carbonate equivalend was consumed, up from 261,000 tonnes consumed in 2018. This increase were mainly driven by the increasing sales of electric vehicles in USA and Europe. Nonetheless during 2019, battery-grade lithium prices in China softened throughout the year to US$8,750per tonne by year end, this was due to the oversupply of spodumene concentrates form expansions or new operations in Australia.

This reduction in pricing has resulted in significant reductions in supply from the high costs Australian spodumene producers. Therefore with the higher cost producers, in part, exiting the market the current consesnsus indicate higher prices in the medium to long term and in November 2019, Canaccord estimated battery-grade lithium carbonate at US$13,000 per tonne by 2026 with long-term price of US$15,000. The evidence this year only further supports our investments in European Metals Holdings and our Joint Venture with Bacanora Minerals both of which are developing fully intergrated lithium projects that produce final EV grade lithium products at a much lower cost than low-grade intermediate concentrate.

In terms of the primary terminal market of the lithium products China produced 1.2 million EV's and Tesla produced circa 365,000vehicles in 2019. The German automotive manufacturers led by Volkswagen continue to aim for 50% EV production by 2025. Advances in battery and automotive design to make mass-market EVs cost competitive are now on the near horizon, which could be the tipping point for the lithium market. Market commentators are forecasting lithium carbonate equivalent demand of approximately 1 million tonnes per annum by 2025, this equates to more than 20 new mines with an average capacity of 25,000tonnes per annum to be commissioned within the next 5 years to meet demand.

Iron Ore

The iron ore market has experienced dramatic events in the last year. The tragedy caused by the failure of the Brumadinho tailings dam has led to extensive closures of production in Brazil which are likley to continue for the foreseeable future. In addition, earlier this year Australia experienced a cyclone that resulted in a reduction of iron ore exports of approximately 14 million tons in the first quarter of 2019 and caused a meaningful reduction in supply of benchmark iron ore product.

The crackdown by the Chinese government on th level of pollution resulting from domestic steel production plant has caused a change in the purchasing behaviour ofthe iron ore market's biggest consumer.This has led to a substantial increase in prices of high quality iron ore products, with high iron content itself (improving yield in a steel plant) and lower impurity levels, requiring less coking coal and having a significantly reduced environmental impact.The scale of the price premiums being paid for these high quality iron ore products has significantly exceeded market expectations. This underlines the importance of projects with ores capable of producing premium products like the Amapá Project.

INVESTMENT REVIEW

Amapa Iron Ore Project ("Amapá Project")

In June this year Cadence entered into a binding investment agreement to invest in and acquire up to a 27% interest in the former Anglo American plc ("Anglo American") and Cliffs Natural Resources ("Cliffs") Amapá iron ore mine, beneficiation plant, railway and private port owned by DEV Mineração S.A. ("DEV") ("The Agreement"). The Agreement also gave Cadence a first right of refusal to increase its stake to 49%. Further details of The Agreement can be found in later sections of this investment review.

The Amapá Project is a large-scale iron open pit ore mine with associated rail, port and beneficiation facilities which commenced operations in December 2007. Production increased to 4.8 Mt and 6.1 Mt of iron ore concentrate product in 2011 and 2012 respectively. Before its sale in 2012 Anglo American valued its 70% stake in the Amapá Project at US $462m (100% US $600m).

To acquire its 27% interest Cadence will invest US$ 6 million over two stages in a joint venture company ("JV"). The first stage is for 20% of the JV the consideration for which is US$2.5 million. The second stage of investment is for a further 7% of JV for a consideration of US$3.5 million. The investments are wholly contingnet on DEV delivering several key preconditions.

For the first stage of investment the primary precondtions were the creditor approval of the judicial restructuring plan (“JRP”), the reinstatement of the the railway licenses and reaching a settlement agreement with the secured bank creditors (“Bank Creditors”). DEV working alongside Cadence and its joint venture partner Indo Sino Pty. Ltd. (“Indo Sino”) managed to satisfy the first two preconditions in August and December 2019 respectively. A settelment with the Bank Creditors is the key precondition that still remains outstanding. Negotiations are still ongoing with the Bank Creditors and we hope to achieve a settlement as quickly as possible.

Once this precondition has been met, Cadence will release its monies held in escrow (~US$2.5 m) at which point Cadence will become a 20% shareholder in the Amapá Project via our joint venture company which will own 99.9% of DEV.

The second tranche of investment, increasing Cadence’s interest to 27% for US$3.5 million, is contingent on the DEV getting all the key environmental and operational licenses reinstated.

Subsequent to the year end and while negotiaitons with the Banks Creditors have been ongoing DEV filed a petition, which amongst other requests, asked for permission to start the export of US$10 million of iron ore (net of costs) from the 1.39 million tonnes held in stockpile at the DEV’s port in Santana, Amapá, Brazil. This was granted in April 2020. at the time of writing transport of the the material from DEV’s port to the public port has begun and DEV expects to be able to start shipping in early Q3 2020.

The net proceeds of the sale of the iron ore, are to be used to pay historic small and employee creditors (~US$2.5 m). Thereafter funds will be used to begin recommissioning studies on the asset including plant, railway and port and to start maintenance and monitoring of the current tailing dam facilities (~ US$ 6 m). Lastly the remaining (~ US$ 1.5 m) will be used to provide ongoing working capital and a payment held in escorw until a settlement is reached with the Bank Creditors.

DEV also filed a further petition, its primary request was that the Commercial Court of São Paulo ("Court") remove the secured bank creditors liens ("Bank Liens") over DEV and its assets. The Court has asked the Bank Creditors to reach an ageement with DEV, Cadence and Indo Sino or enforce its security. In the absence of an agreement the Court may rule on the removal or annulment of the Bank Liens and consider the Bank Creditors as unsecured.

The Amapá Project and Current Planned Development

As part of its due diligence and assessment Cadence has carried out multiple site visits and commissioned SRK Consulting to provide it with a high-level review of the Amapá Project. This review was based on a site visit, historical analysis and the review of technical independent engineers reports published 2013 and 2015. It should be noted that this review provides a basis for a preliminary assessment of the project and its potential but further, more detailed reviews and analysis would be required to provide a Pre-Feasibility or Feasibility Study level report. This would include amongst other things, providing a current Mineral Resource Estimate and/or Ore Reserves, updated capital and operating costs and an independent assessment of key economic drivers and returns.

The Amapá Project consists of an open pit iron ore mine, railway and port facility and is located in Amapá State, northeast Brazil. The Amapá mine site, forming part of the Amapá Project, is located near the towns of Pedra Branca do Amapári, and Serra do Navio, approximately 200km northwest of Macapa.

In 2012 the operation produced 6.1 Mt of iron ore concentrate and reported operating profits from their 70% ownership in the Amapá Project of US$120 million (100% - US$171 million). Before its sale in 2012, Anglo American valued its 70% stake at US$462m in its 2012 Annual Report (100% - US$600m).

- During its operation, the mine generated an annual operating profit of up to U$171 million (100%)
- The total historic mineral resource contains an estimated 348 million tonnes ("Mt") of ore @ 38.9% iron content ("Fe")
- The ore is beneficiated to 65% Fe Pellet Feed and 62% Fe Spiral Concentrate
- Based on available historic mine plans and an independent consultant review it is expected that at full production the Amapá Project has a mine life of 14 years and at full capacity is targeting to produce up to 5.3 Mt of Iron Ore per annum

The Amapá Project has minerals rights over 5,556 hectares comprising three separate mining licenses and an exploration permit. The historic Mineral Resource contained within the licenses is of some 348 Mt at 38.9% Fe.

It should be noted that the Minerals Resource was assessed by Anglo American as at the 31 December 2012 (Annual Report 2012, Anglo American, p.198) and was prepared under the Australasian Code for Reporting of Exploration Resources and Ore Reserves 2004 edition ("JORC"). Given the passage of time and the depletion of this resource bewtween 2012 and 2013 this assessment is not valid under JORC. Further work and assessment would need to be undertaken to assess and update any current Mineral Resource or Ore Reserve.

Based on available historic mine plans and the independent engineers review DEV's current mine plan envisages a mine life of 14 years. Management estimate prior to the start of mining the Amapá Project will also ship the iron ore stockpiles held at the dock which is estimated to start early in Q3 2020 year and continue for upto two years . The mine is open pit and has a planned strip ratio of 0.9:1.

The beneficiation plant consists of a crushing circuit followed by screening, flotation, thickener and filtering to produce 65% Fe Pellet Feed in addition the plant produces a 62% Fe Spiral Concentrate. The current mine plan would mean that the Amapá Project would produce at steady state production an estimated 4.4 Mt of 65% Fe and 0.9 Mt of 62% Fe per annum.

As part of the JRP approved by creditor in August 2019, DEV submitted a operational and financial plan, that DEV intends to implement to bring the the Amapá Project back into production.

The information, assumptions and financial model, were prepared for the JRP only and are based on historical analysis of the costs and the review of two technical independent engineers reports published 2013 and 2015. It should be noted that this review provides a basis for a preliminary assessment.

The key stages of the current redevelopment strategy are summarised below:

Recommissioning Studies

- DEV will start the relevant resource, engineering studies required for banking finance of the project.
- It is anticipated that this will commend in the third quarter of 2020 with completion in the third or fourth quarter of 2021.
- The commissioning of these studies will commence only after the commencement of the shipment of iron ore from the stockpile owned by DEV.

Reinvestment of Iron Ore Stockpile Sales.

- It is anticpated that DEV will begin shipping of the iron ore at stockpilen in early Q3 2020 and will take upto to 2 years to ship. This will initially be US$10 million of iron ore (net of costs).
- ·An independent survey of these stockpiles indicates some 1.39 Mt (+/- 10%) of iron ore in three stockpiles with an average Fe grade of 62.12% (+/ 10%)
- These funds are intend be reinvested in the capital development of the Amapá Project, however they could also be used in part as part of a settlement package with the Bank Creditors.

Capital Investment

- ·DEV's estimates of capital costs, which are based on 2013 engineering studies, is anticipated to be a total of US$168 million. This sum includes all the capital investment required to bring the mine, rail and port into full production.
- The above capital investment will occur after the completion of the recommissioning studies and raising additional capital.
- The reconstruction is estimated to take approximately 18 months, which based on current estimates would mean the start of full operations in the first or second quarter of 2022.

Operational Plan

- Based on available historical mine plans and the independent engineers review DEV's current mine plan envisages a mine life of 14 years.
- As mentioned above before the start of mining, the Amapá Project will also ship the iron ore stockpiles held at the dock in earrly Q3 2020 continue for upto 24 months.

- ·The mine is open pit and has a planned strip ratio of 0.9:1. The beneficiation plant consists of a crushing circuit followed by screening, flotation, thickener and filtering to produce a 65% Fe Pellet Feed and a 62% Fe Spiral Concentrate.
- ·The current mine plan would mean that the Amapá Project would produce at steady-state production an estimated 4.4 Mt of 65% Fe and 0.9 Mt of 62% Fe per annum. Currently steady-state production is expected to be reached in 2024.
- The intention is that these products would then be transported from the mine to the railhead by on-highway trucks along an unpaved road, a road haul distance of 13km. From the railhead, the products would then be transported 180km by rail to the port facility at Santana.
- The products would then be stockpiled at the port facility and mechanically loaded onto "Handymax" vessels which navigate the Amazon River out to sea and then transhipped onto larger "Capesize" vessels before the products are sold to the market. The products produced by the Amapá Project are well known in the market, especially in China where most of the historical production was sold.

Cadence is updating the operation and financial plan as part of a commisioned scoping study, which may mean a variation to the the above plan. As part of it scoping study Cadence will also update the financial plan that was previously presented in the JRP.

<u>Details of the Agreement with Indo Sino</u>

The Agreement with Indo Sino is to invest in and acquire up to a 27% of a joint venture company Pedra Branca Alliance Pte. Ltd. ("JV Co"). On approval of the JRP and satisfaction of the preconditions and the transfer of equity of DEV to the JV Co the JV Co will own 99.9% of the Amapá Project. Should Indo Sino seek further investors or an investment in the JV Co the agreement also provides Cadence with a first right of refusal to increase its stake to 49% in the JV Co.

To acquire its 27% interest Cadence will invest US$ 6 million over two stages in JV Co. The first stage is for 20% of the JV Co the consideration for which is US$2.5 million. These funds are already held in escrow awaitng the completion of the conditions precedent. If the frist conditions precendent are not met and the JRP is not succesful, the monies held in escrow monies will be returned to Cadence. The second stage of investment is for a further 7% of JV Co for a consideration of US$3.5 million. If Cadence is unable to complete the second stage of the investment or not exercise its right of first refusal under the terms of the Agreement, Indo Sino will have a twelve-month option to buy the shares in JV Co held by Cadence for 1.5 (1 ½) times the price paid by Cadence for such shares.

Cadence's investments are conditional on several material pre-conditions. For the first stage of investment the remaining pre-condition remains the settlement with the Bank Creditors, and for stage two is Cadence’s investment is contingent on all the key environmental and operational licenses reinstated. Shoul the first stage of investment

On completion of Cadence's investment (not including the first right of refusal) our joint venture partner Indo Sino will own 73% of JV Co. The Agreement also contains security and default clauses which if triggered causes an upwards adjustment mechanism to allow Cadence to either receive cash from JV Co or receive additional shares in JV Co. In the latter case Cadence's shareholding in the JV Co will not go above 49.9%.

On completion of the US$ 6 million investment Cadence will have the right to appoint two members to a five-member board with the remaining three comprising of one member jointly appointed by Cadence and Indo Sino and two appointed by Indo Sino.

<u>European Metals Holdings Limited (“European Metals”)</u>

Cadence has has held an investment in European Metals since June 2015. As of year end, Cadence held approximately 18.01% in the Cinovec deposit in the Czech Republic through a direct holding in the share capital of European Metals that owns 100 per cent of the exploration rights to the Cinovec lithium/tin deposit.

Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li_2O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li_2O and 0.04% Sn containing a combined 7.18 million tonnes Lithium Carbonate Equivalent and 263kt of tin reported 28 November 2017. An initial Probable Ore Reserve of 34.5Mt at 0.65% Li_2O and 0.09% Sn reported 4 July 2017 has been declared to cover the first 20 years mining at an output of 22,500tpa of lithium carbonate reported 11 July 2018.

<u>Summary of Activities</u>

It has been a significant year for European Metals both from the perspective of project and corporate development.

In project development terms it was a a significant year. In June 2019 European Metals completed an updated Preliminary Feasibility Study ("PFS"), conducted by specialist independent consultants.

The PFS indicated a return post tax NPV of USD1.108B and an IRR of 28.8% and confirmed that the Cinovec project is a potential low operating cost, producer of battery grade lithium hydroxide or battery grade lithium carbonate as markets demand. It confirmed the deposit is amenable to bulk underground mining. Metallurgical test-work has produced both battery grade lithium hydroxide and battery grade lithium carbonate in addition to high-grade tin concentrate at excellent recoveries. Cinovec is centrally located for European end-users and is well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5 km north and 8 km south of the deposit and an active 22 kV transmission line running to the historic mine. As the deposit lies in an active mining region, it has strong community support.

In terms of corporate development, the most significant was the partnership with CEZ Group, one of Europe's largest power utilities. Headquartered in the Czech Republic, CEZ is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. CEZ's core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 31,400 employees and annual revenue of approximately AUD 12 billion. The largest shareholder of its parent company, CEZ a. s., is the Ministry of Finance of the Czech Republic with a stake of approximately 70%. The shares of CEZ a.s. are traded on the Prague and Warsaw stock exchanges and included in the PX and WIGCEE exchange indices. As one of the leading Central European power companies, CEZ intends to develop energy storage projects in the Czech Republic and in Central Europe which include energy storage and charging infrastructure and electricity supply, for users of electric vehicles.

This partnership was completed subsequent to the year end and the terms are summarised below.

- Pursuant to the Exclusivity and Framework Agreement, CEZ has subscribed through SDAS for such number of Geomet Shares as will result in SDAS holding Geomet Shares comprising fifty-one per cent (51%) of the ownership interests and voting rights in Geomet, attached with the right to receive fifty-one per cent (51%) of dividends, liquidation balance and other proceeds payable by Geomet to Geomet Shareholders following completion of the subscription.
- The amount paid by CEZ to Geomet under the option is in total approximately €34.06m, equivalent (at the time of signing) to approximately £29.15m. This compares to EMH's market valuation (at the time of signing) of approximately £32.88m (€38.42m). The amounts in GBP and AUD included above have been calculated using an average exchange rate for EUR/GBP and EUR/AUD respectively as at 18 November 2019.

Macarthur Minerals Limited ("Macarthur")

Macarthur is an iron ore development, gold and lithium exploration company and is listed on the TSX Venture Exchange (TSX-V: MMS) and Australian Stock Exchange (ASX: MIO). Macarthur is focused on bringing to production its 100% owned Western Australia iron ore projects. The Lake Giles Iron Project includes the 80 million tonne Ularring hematite resource (approved for development) and the 710 million tonne Moonshine magnetite resource. As of year end, Cadence held approximately 7.21% of Macarthur.

Macarthur has secured a binding Life-of-Mine Off-Take Agreement with Glencore International A.G. and is focused on commercialising its iron ore projects utilising mining, processing and logistics infrastructure in the region and is progressing towards completing a bankable feasibility study.

Macarthur also has established multiple project areas in the Pilbara, Western Australia for conglomerate gold, hard rock greenstone gold, hard rock lithium and nickel. Macarthur Minerals also has significant lithium brine placer claims in the Railroad Valley, Nevada, USA.

Summary of Principle Activities

During the year Macarthur has progressed well across its key assets, some of which are highlighted below.

- Macarthur completed a US$6 million institutional convertible note offer to fund the production of a Bankable Feasibility Study on the Company's iron ore projects. Glencore Internation A.G participated in the convertible note.
- Macarthur signed a binding Life-Of-MineOff-Take Agreement with Glencore International A.G for the Lake Giles Iron Ore Project.
- The Lake Giles Iron Project, Feasibility Study (FS), is well underway with the infill drilling program completed in December 2019.

- Macarthur entered into a binding agreement with Arrow Minerals Limited (Arrow) to acquire the rights to a substantial package of land covering approximately 4,950 ha adjacent to the Moonshine Magnetite deposit. The tenure will be used for constructing supporting infrastructure including the, processing plant, camp, airstrip, waste rocks dumps and a tailings storage facility. The deal with Arrow also paves the way forward to obtain access to tenure to construct a private haul road from the project through to the open access Perth to Kalgoorlie railway owned by Arc Infrastructure.
- A drilling program was completed at the Hillside project in the Pilbara region of Western Australia to test potential supergene and hypogene mineralisation above and below the water table along the majority of a 14-kilometre Gossan line where previous rock chip sampling identified anomalous copper. This program also tested outcropping quartz vein mineralisation identified through prospecting activities.
- Filing of the Preliminary Economic Assessment NI43-101 Technical Report, for a combined hematite and magnetite project (the Lakes Giles Iron Project).This re-evaluationresulted in:oa reduction in the operational costs for the hematite product;orationalisation and reduction inCapital Cost fordevelopmentof a combined magnetite and hematite project;andorevised logistics transport solutions and costs
- Engineering firm Engenium commissioned to revise NI 43-101compliant technical reportand refine operating and capital costs of thehematite and magnetite projects
- Repositioning of Macarthur's portfolio of highly prospective lithium and goldprojects in the Pilbara region of Western Australia through an earn-in Joint Venture Agreement with Australian listed exploration company Fe Limited (ASX: FEL)

Sonora Lithium Project

Cadence, holds an interest in the Sonora Lithium Project via a 30% stake in the joint venture interests in each of Mexalit S.A. de CV ("Mexalit") and Megalit S.A. de CV ("Megalit"). Mexalit forms part of the Sonora Lithium Project.The remainder of Mexalit and Sonora Lithium Project is owned by Bacanora Lithium Plc ("Bacanora") which is a London-listed lithium asset developer and explorer (AIM: BCN).

The Sonora Lithium Project consists of ten contiguous concessions covering 97,389 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned 100% by Bacanora through its wholly-owned subsidiary Minera Sonora Borax S.A de C.V. ("MSB"). El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by, Mexilit S.A. de C.V. ("Mexilit") (which is owned 70% by Bacanora and 30% by Cadence). These concessions are located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico. They are roughly 170 kilometres south of the border with Arizona, USA. The San Gabriel and Buenavista concessions are owned by Minera Megalit S.A. de C.V. ("Megalit") (which is owned 70% by Bacanora and 30% by Cadence). The asset has Measured plus Indicated Mineral Resource estimate of over 5 million tonnes ('Mt') (comprising 1.9 Mt of Measured Resources and 3.1Mt of Indicated Resources) of lithium carbonate equivalent ('LCE') and an additional Inferred Mineral Resource of 3.7 Mt of LCE, Sonora is regarded as one of the world's larger known clay lithium deposits.

A feasibility study report was publisehd in Janury2018, which confirmed the positive economics and favourable operating costs of a 35,000 tonnes per annum battery grade lithium carbonate operation. The feasibility study report estimates a pre-tax project Net Present Value of US$1.253 billion at an 8% discount rate and an Internal Rate of Return of 26.1%, and Life of Mine operating costs of US$3,910/t of lithium carbonate.The full report can be found here:

https://www.bacanoralithium.com/pdfs/Bacanora-FS-Technical-Report-25-01-2018.pdf

It should be noted that under the published feasibility study the concession owned by Mexalit will be mined starting in year 9 of the mine plan cease at the end of the mine like in year 19.

Summary of Principle Activities

Bacanora progressed in securing the financing package for project construction which included;

- Investment and Offtake Agreement with Ganfeng LithiumCo., Ltd. ("Ganfeng"), Ganfeng acquired 29.99% of Bacanora and 22.5% of Sonora Lithium Ltd("SLL"), the holding company for the Sonora Lithium Project. This investment did not dilute our position in Mexalit.
- they continued to work to complete the front-end engineering design throughout the period.
- In November 2019, Bacanora raised £7.7 million via a placing of ordinary shares
- Bacanora retains its US$150 million conditional senior debt facility with RK Mine Finance, signed in July 2018,to finance the development of the Sonora Lithium Project. US$125 million remains to be drawn.

In addition Bacanora continued with the front end engineering design during the year.

Yangibana Project, Australia

Cadence owns 30% of the Yangibana, Yangibana North, Gossan, Hook, Kanes Gossan and Lions Ear Rare Earth Deposits, which form part of the Yangibana Rare Earth Deposit ("Yangibana Project"). Hastings Technology Metals owns the remaining 70% ("Hastings"). The updated resource ore statement can be found on the Yangibana Mineral Resource & Ore Reserve statement from 4th November 2019

http://irservices.netbuilder.com/ir/cadence/newsArticle.php?ST=REM&id=2953668.

The exploration costs until the commencement of the BFS are borne solely by Hastings (70% owners and operator).

Summary of Principle Activities

Hastings has continued to make steady progress on the development of the the Yangibana Project. In November 2017 Hastings reported the successful completion of a Definitive Feasibility Study (DFS) for the Yangibana Project based on the production of Mixed Rare Earths Carbonate (MREC) rich in Neodymium (Nd) and Praseodymium (Pr), critical materials used in the manufacture of permanent magnets. As summary of the DFS can be found here:

http://hastingstechmetals.com/wp-content/uploads/2018/01/Hastings_DFS_Executive_Summary_Nov_2017_NEW.pdf

The current mine plan anticipates production to start from our joint venture areas (Yangibana and Yangibana North) in year 5 and continue to the end of mine life. In the twelve months following completion of the DFS, Hastings confirmed capital requirements, completed flotations pilotplant studies, and testing hydrometallurgical equipment for suitable duty capacity.

Hastings then completed a 100kg/hr pilot processing circuit test, operating 24 hours per day continuously over 8 days at ALS Metallurgy in Balcatta, Western Australia. The flowsheet consisted of milling, rougher flotation, regrind and cleaner flotation stages. The flotation circuit selectively concentrated the rare earths-bearing mineral monazite into a final product whilst discarding 95% of the original rock waste mass. Flotation process design was reconfirmed, as the performance output of the pilot plant improved over the course of the 8 days.

On the back of the updated resource a new mining reserve estimate was undertaken by a Mining Consultancy Group (Snowden) based on Measured and Indicated Mineral Resources at each of Bald Hill, Fraser's, Auer, Auer North, Yangibana (Cadence 30%), Yangibana West and Yangibana North (Cadence 30%) deposits. The updated reserve estimate remains surface mining focussed

Ore Reserves tonnages from the new estimate increased by 34% to 10.35 million tonnes at 1.22%TREO including 0.43%Nd_2O_3+Pr_6O_{11}. The updated Ore Reserve extends mine life by 3 years, supporting a +10 year operational life for the Project.

Since the DFS the project NPV has decreased by 4% to $447 million due to capital cost increases as a result of the board mandated decision to source, where possible, only Tier 1 process plant equipment suppliers with the capabilities to provide unrivalled equipment performance guarantees and field support and backup including increasing its probable ore reserves by 34%, reviewing their capex requirements which was revised upwards ro AU$ 427 million.

Lithium Technologies Pty Ltd & Lithium Suppliers Pty Ltd ("LT" & "LS)

In December 2017 Cadence Minerals announced that it had executed binding investment agreements to acquire up to 100% of six prospective hard rock lithium assets in Argentina via LT & LS.

Although these projects are promising and our joint venture partners were able to identify several high prirority areas for exploration, we are still awaiting approval of the finalised exploration permits. Therefore we agreed to vary the binding agreement to acquire three prospective assets in Australia that are in regions with proven high-grade lithium mineralisation.

The acquisition covered three projects - Picasso (Western Australia - WA), Litchfield (Northern Territories - NT) and Alcoota (NT) all of which are in regions with proven lithium mineralisation and supportive mining infrastructure.

The variation resulted in LT & LS acquiring between them 100% of Synergy Prospecting Ltd ("Synergy"), which owns the three lithium projects in Australia. As two of Synergy's assets are granted, Cadence agreed to move forward with increasing is ownership in LT & LS from 4% to 31.5% via:

- Issuing 373,544,298 million Cadence shares to the founding shareholders of LT & LS valued at £400,000 (based on 14-day VWAP of £0.0107) to acquire a further 20% stake, which is in line with the terms of the original agreements; and
- Invest £300,000 to earn an incremental 7.5% stake, with the funds earmarked to commence developing Synergy's lithium assets in Australia.

The result of the variation would mean no change to the £ consideration to be paid for of LS and LT, however additional shares would be issued as a result of the change in the share price in Cadence between November 2017 and March 2019.

As of the date of this document, Cadence owns 25.875% of LT & LS and consequently of the Australian and Argentinian lithium prospects.

During the year our joint venture partners carried out initial exploration work including mapping and chip sampling. Although these results were encouraging, we to focused our investment in the Amapá Project which is of a lower risk profile than the LT and LS investment.

Other Investments

As stated within our strategy earlier in the Annual Report & Accounts, Cadence has focused its investments on assets that are in the more advanced stages of development. This was driven by Cadence's assessment that early exploration project will in general find it difficult to source capital in the medium to long term, and therefore are not very likley to deliver the retunrs we would expect. As such we have either during the reportign period or soon after disposed of our equity holdings in Auroch Minerals Ltd and Clancy Exploration Limited. These funds were utlised either to fund the the Amapá Project, pay down our loan note or for working capital purposes. In addition given the above, we also did not renew our exploration license for our Greenland Rare Earth Project, as retaining them would involve a considerable commitment in license fees over the coming years.

FINANCIAL REVIEW

Total comprehensive loss for the year attributable to equity holders was £2.04m loss (2018: £11.92m). This decrease in loss from the previous year of approximately £9.88m is mainly due to the movement in realised and unrealised profits and losses of approximately £9.73m relating to our share investment portfolio (available for resale assets) held during the period.

Diluted loss per share was 2.466p (2018 : 14.469p).

The net assets of the Group at the end of period was £15.40 million (2018: £14.40 million). This increase of approximately £1m was mainly driven by the reduction in value of available for resale assets during the period.

Kiran Morzaria
Chief Executive Officer
25 June 2020

PRINCIPAL RISKS AND UNCERTAINTIES

Cadence continuously monitors its risk exposures and reports its review to the Board. The Board reviews these risks and focuses on ensuring effective systems of internal financial and non-financial controls are in place and maintained.

Key risk areas

The high-risk areas surrounding our existing business is tabulated below; the key areas are Strategic, Operational and Financial.

Risk	**Mitigation**	**Magnitude and likelihood**
Strategic risks		
Exposure to political risk, as an invetment company Cadence is exposed to this risk via our investee companies whom have projects around the worldaround the world. Given the wide wide variety locations and juristictions, Cadence could be exposed to significantly different regulatory of fiscal environments which could affect the ability of Cadence to deliver to its Strategy.	Through our interaction with our investee companies and if applicable as part of the the management teams in the investee companies, the Company is kept abreast of expected potential changes and takes an active role in making appropriate representations and if required, with its publically listed investments, dispose of these assets to mitigate any losses.	Magnitude- High Likelihood - Medium
Operational risks		
Permitting risk, through its investee companies, Cadence is indirectly exposed to planning, environmental, licensing and other permitting risks associated with the investee operations particularly with regards to mine construction and commisioning.	The investee has to date been successful in obtaining the required permits to operate. Therefore, Cadence considers that such risks are partially mitigated through investee compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of the management teams.	Magnitude- High Likelihood – High
Development and exploration risk, Cadence investee companies could fail develop or locate assets that have the potential to deliver commercially, e.g. lack of capital, technical constriants, or a drilling programme fials to identify sufficent volume or concentration of the targeted commodity.	Prior and while invested Cadence to obtains a deep fundamental understanding of the asset, its potential economics, operating and legal environment and its management team. By doing so, Cadence can either suggest potential changes.to the investee development, and in the case of public listed investment dispose of the investment to mitigate any losses.	Magnitude- High Likelihood – High

Risk	Mitigation	Magnitude and likelihood
Operational risks (continued)		
Commodity Price Risk, exposure to market price risk through variations in the wholesale price of the commodities that our investee companies are exposed to. This may effect their ability to develop the asset in particular sourcing financing to bring the projects into production.	Given the stage of development of Cadence investments, e.g. pre productions Cadence does not activley hedge against this risk, with its publically listed investments Cadence can dispose of these assets to mitigate any losses.	Magnitude- High Likelihood – High
Loss of key staff	Provide and maintain competitive remuneration packages to attract the right calibre of staff. Build a strong and unified team	Magnitude- High Likelihood – Low
Financial risks		
Liquidity risk, exposure through its operations to liquidity risks.	The Board regularly reviews Cadence's cash flow forecast and the availability or adequacy of its current facilities to meet Cadence's cash flow requirements	Magnitude- High Likelihood - Medium

The Directors present their annual report together with the audited consolidated financial statements of the Group and the Company for the Year Ended 31 December 2019.

Principal activity

The principal activity of the Group and the Company is that of the identification, investment and development of Lithium and rare earth assets. The Group is also exploring other mining related opportunities.

Domicile and principal place of business

Cadence Minerals plc is domiciled in the United Kingdom, which is also its principal place of business.

Business review

The results of the Group are shown on page 31. The directors do not recommend the payment of a dividend.

A review of the performance of the Group and its future prospects is included in the Chairman's Statement and the Strategic Report on pages 1 to 11.

Key Performance Indicators

Due to the current status of the Group, the Board has not identified any performance indicators as key.

Principal risks and uncertainties

Information of the principal risks and uncertainties facing the Group is included in the Principal Risks and Uncertainties section of the Strategic Report.

Financial risk management objectives and policies

The Group’s principal financial instruments are available for sale assets, trade receivables, trade payables, loans and cash at bank. The main purpose of these financial instruments are to fund the Group's operations.

It is, and has been throughout the period under review, the Group’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group’s financial instruments are liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern' and note 18 to the financial statements.

Interest rate risk
The Group only has borrowings at fixed coupon rates and therefore minimal interest rate risk, as this is deemed its only material exposure thereto. The Group seeks the highest rate of interest receivable on its cash deposits whilst minimising risk.

Market risk
The Group is subject to market risk in relation to its investments in listed Companies held as available for sale assets.

Directors

The membership of the Board is set out below. All directors served throughout the period unless otherwise stated.

Andrew Suckling
Kiran Morzaria
Don Strang
Adrian Fairbourn

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 31 December 2019 were as follows:

	Ordinary shares held Number	Percentage of capital %
Hargreaves Lansdown (Nominees) Limited Des:15942	11,033,315	10.5
Barclays Direct Investing Nominees Limited Des: CLIENT1	9,248,430	8.8
Hargreaves Lansdown (Nominees) Limited Des:VRA	6,962,975	6.6
Interactive Investor Services Nominees Limited Des:SMKTNOMS	6,912,190	6.5
Interactive Investor Services Nominees Limited Des:SMKTISAS	5,772,627	5.5
HSDL Nominees Limited Des:MAXI	4,438,924	4.2
Hargreaves Lansdown (Nominees) Limited Des:HLNOM	4,317,820	4.1
Hargreaves Lansdown (Nominees) Limited Des:HLNOM	3,517,675	3.3
HSBC Global Custody Nominee (UK) Limited Des: 941346	3,278,699	3.1

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days purchases represented by year end payables is therefore not meaningful.

Events after the Reporting Period

Events after the Reporting Period are outlined in Note 21 to the Financial Statements.

Going concern

The Directors have prepared cash flow forecasts for the period ending 30 June 2021 which take account of the current cost and operational structure of the Group.

The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding.

These forecasts demonstrate that the Group has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

In so far as each of the Directors are aware:

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

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 financial statements may differ from legislation in other jurisdictions.

Auditors

Chapman Davis LLP, offer themselves for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD

Kiran Morzaria
Director
Date: 25 June 2020

Intrduction to governance

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Company. As the Company is listed on the AIM market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and midsized companies published by the Quoted Companies Alliance ("QCA Code"). The principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

While building a strong governance framework we also try to ensure that we take a proportionate approach and that our processes remain fit for purpose as well as embedded within the culture of our organisation. We continue to evolve our approach and make ongoing improvements as part of building a successful and sustainable company.

The Board

The Board comprises of a non-executive Chairman, one non-executive director and two executive directors.

Board Members

Board Member	Board Title	Audit Committee Title	Remuneration Committee Title
Andrew Suckling	Non-Executive Chairman	Member	Member
Adrian Fairbourn	Non-Executive Director	Chairman	Chairman
Kiran Morzaria	Chief Executive Officer		
Donald Strang	Finance Director		

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the executive directors, who are charged with consulting the Board on all significant financial and operational matters. The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team.

The roles of Chairman and Chief Executive Officer are split in accordance with best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. No one individual has unfettered powers of decision.

The two Executive Directors are comprised of a Chief Executive Officer ("CEO") and Finance Director. The CEO has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. This includes responsibility for all components and departments of a business. The CEO to ensures that the organisation's leadership maintains constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.

The non-executive directors are not considered independent under the Financial Reporting Council's Corporate Governance Code (April 2016) ("FRC Code") as they both have options in the Company. However, the board considers that both non-executives are independent of management under all other measures and able to exercise independence of judgement**.**

The Committees

Audit Committee

The audit committee consists of two non-executive members of the board and meet at least twice a year.

The principal duties and responsibilities of the Audit Committee include:

- Overseeing the Group's financial reporting disclosure process; this includes the choice of appropriate accounting policies
- Monitor the Group's internal financial controls and assess their adequacy
- Review key estimates, judgements and assumptions applied by management in preparing published financial statements
- Assess annually the auditor's independence and objectivity
- Make recommendations in relation to the appointment, re-appointment and removal of the company's external auditor

Remuneration committee

The remuneration committee consists of two non-executive members of the board and meet at least once a year.

The principal duties and responsibilities of the Remuneration Committee include:

- Setting the remuneration policy for all Executive Directors
- Recommending and monitoring the level and structure of remuneration for senior management
- Approving the design of, and determining targets for, performance related pay schemes operated by the company and approve the total annual payments made under such schemes
- Reviewing the design of all share incentive plans for approval by the board and shareholders
- None of the Committee members have any personal financial interest (other than as shareholders and option holders), conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the business. No director plays a part in any financial decision about his or her own remuneration.

Principle and Approach of the Board

Cadence is committed to achieve and maintain high standards of governance. As such, the Board has chosen to adopt the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 ("the QCA Code"). Detailed below is how the Board applies the 10 principles of Corporate Governance, which form part of the QCA code.

Principle	Application	Compliance
Establish a strategy and business model which promote long-term value for shareholders	*The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term.* *It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.*	*Cadence is a unique early investment strategy & development firm, within the mineral resource sector. We identify undervalued assets, with irreplaceable strategic advantages. We invest in them and help turn them into powerhouses. Lithium and other technology minerals must get to market in order to achieve the global green revolution. We uncover new ways and places to extract and process these minerals, so that burgeoning demand is met; and our tomorrow is better.* *A more detailed description of its Strategy and Business Model is available in the Company's Annual Report and Accounts and on the Company's website.* *Please refer to the Company's Annual Report and Accounts and on the Company's website for further details on the principal risks and uncertainties which the Company faces.* *It seeks to share this vision and details of the implementation of its strategy through internal dialogue with employees as well as external communications by way of public announcements and dissemination of information through this website and the annual report and accounts*
Seek to understand and meet shareholder needs and expectations	*Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.* *The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.*	*The Board is committed to maintaining an open dialogue with shareholders. Communication with shareholders and is coordinated by the CEO.* *Throughout the year, the Board maintains a regular dialogue with investors, providing them with such information on the Company's progress as is permitted within the guidelines of the AIM rules, MAR and requirements of the relevant legislation. We also use these communications to obtain feedback from shareholders and to assess the effectiveness of our communications. Based on this feedback the Board has determined that this engagement has been, to date, successful.* *The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year which can be found on the Company's website, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published under the "Investors" tab of the Group's website.*

Principle	**Application**	**Compliance**
Take into account wider stakeholder and social responsibilities and their implications for long-term success	*Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.* *Where matters that relate to the company's impact on society, the communities within which it operates, or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.*	*The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole.* *The Board also understands that it has a responsibility towards employees, partners, customers, suppliers and to the community and environment it operates in as a whole.* *Communication with and feedback from these various groups is achieved in a variety of ways. The executive directors hold investor roadshows once a year and quarterly webcast, at which feedback from shareholders is sought.* *Regular dialogue is maintained with employees through monthly updates and quarterly briefings given by the executive directors.* *The nature of the Cadence's business as an investment company means that although it has no direct effect on the working environments and communities of the companies it invests in, it nonetheless liaises with the management of its investee companies to understand their approach to stakeholder engagement and their policies, which will form part of its investment criteria.*
Embed effective risk management, considering both opportunities and threats, throughout the organisation	*The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.* *Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).*	*The Board has an established Audit Committee, a summary of it roles a responsibilities is available on the corporate governance webpage.* *The Committee is specifically charged with ensuring that Cadence as a whole has the appropriate policies and processes in place to identify the risks which the Company is exposed to and to proactively mitigate those risks as appropriate.* *The Company maintains a register of risks and publishes an overview of significant risks and uncertainties in its Annual Report.* *Please refer to the Company's Annual Report and Accounts for further details on the principal risks and uncertainties which the Company faces.* *The Company receives regular feedback from its external auditors on the state of its internal controls. The Board maintains a register of risks and publishes an annual summary of the significant risks and uncertainties in the Annual Report.*

Principle	**Application**	**Compliance**
Maintain the board as a well-functioning, balanced team led by the chair	*The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high-quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.* *The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.*	*The Board is comprised of a non-executive Chairman a non-executive director and two executive directors.* *The CEO is engaged to work a minimum of a 39 hour week and is an employee of the Company. The Finance Directors is employed part-time for a minimum of 28 hours a week. The board deemed that given the stage and development of the Company, it would be more cost efficient to employee a full-time accountant which along with the finance director ensure that Company's financial systems are robust. compliant and support current activities and future growth.* *The service agreements of the non-executive directors anticipate that the non-executive Chairman should spend 3 working days per month and the non-executive director 2 working days per month. All directors dedicate such time as required to effectively perform their roles.* *The roles of the Chairman and CEO are clearly separated. The directors ensure the skills required to undertake their roles are kept current through training and consultation with subject matter experts as required.* *The CEO is responsible for the operational management of the business of Cadence and for the implementation of strategy and policies as agreed by the Board. The non-executive Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information.* *The non-executive directors are not considered independent under the FRC Code as they hold options in the Company. However, the board considers that the non-executive directors are independent of management under all other measures and are able to exercise independence of judgement. Whilst conflicts of interest are fully disclosed and understood, as appropriate non-executive directors exercise independence of judgement. No director is involved in discussions or decisions where he has a conflict of interest.* *The Board is supported by an Audit Committee and a Remuneration Committee.* *Cadence intends that the Board endeavours to hold full board meetings at least 3 times each year. The attendance of Board members for meetings during the current financial year is as follows:* · *Andrew Suckling 3 of 3* · *Adrian Fairbourn 3 of 3* · *Kiran Morzaria 3 of 3* · *Donald Strang 3 of 3*

Principle	**Application**	**Compliance**
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	*The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.* *The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.*	*Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board continually strives to ensure that it has the right balance of knowledge, skills, experience and contacts across the sectors in which it operates. This is evaluated in line with Cadence's business model as it changes.* *It is of primary importance that the Board's knowledge is kept to up to date in a rapidly changing mining and metals marketplace. This is achieved by maintaining a broad network of contacts across the industry and ensuring regular dialogue is held and feedback obtained by both the executive and non-executive directors as appropriate.* *As necessary directors receive externally provided refresher and update training specific to their individual roles.* *The Company Secretary advises the Board members on their legal and corporate responsibilities and matters of corporate governance.* *Biographical details of each of the Directors are given on the 'Who We Are' page of this website HERE. Going forward the Directors biographical details will be included in the Annual Report and Accounts.*
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	*The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time.* *The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.*	*On the 28 September 2018, Cadence adopted the QCA Code. Prior to this point given the nature and the development of the company it did not set Key Performance Indicators.* *The Company now measures its performance, and therefore inherently the performance of the Board as a unit, against Key Performance Indicators. The primary KPI is absolute equity return on investments. Details intend to be disclosed in the Annual Report Accounts going forward.* *The performance of the executive directors is monitored and regularly reviewed by the non-executive directors. Such review considers both the KPIs outlined above and measures such as an annual staff satisfaction survey. Going forward, the Board intends to introduce qualitative performance measurements for the executive directors to ensure that the right degree of focus is applied to the strategic direction as well as the current financial performance of the business.* *The Board periodically considers the need to refresh its membership.*

Principle	Application	Compliance
Promote a corporate culture that is based on ethical values and behaviours	*The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.* *The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.* *The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.*	*Cadence has a strong ethical culture, which is promoted by the actions of the board and executive team.* *These include the following key policies which govern its ethical culture.* · *Equal opportunities policy* · *Dignity at work policy* · *Code of conduct* · *Whistleblowing policy* · *Health and safety policy* · *Email and internet policy* · *Social media policy* *The Group has an anti-bribery policy and has implemented adequate procedures described by the Bribery Act 2010. The Group reports on its compliance to the board on an annual basis.* *The Group has undertaken a review of its requirements under the General Data Protection Regulation, implementing appropriate policies, procedures and training to ensure it is compliant.*

Principle	**Application**	**Compliance**
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	*The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:* · *size and complexity; and* · *capacity, appetite and tolerance for risk.* *The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.*	*Details of the Company's corporate governance arrangements are provided within this Corporate Governance section of this website. The Board considers the appropriateness of these arrangements against the size and complexity of the Company as it evolves over time.* *The Chairman leads the Board and is responsible for ensuring its effectiveness in all aspects of its role. The Chairman promotes a culture of openness and debate, in particular by ensuring the non-executive directors provide constructive challenge to the executive directors.* *The matters reserved for the board are:* · *Definition of the strategic goals for the Company, sets corporate objectives to enable the goals to be met, and measures performance against those objectives;* · *Ensuring that the necessary financial and human resources are in place to both meet its obligations to all stakeholders and to provide a platform for profitable growth;* · *Recommending any interim and final dividends;* · *Approving all mergers and acquisitions and all capital expenditure greater than £100,000;* · *Receiving recommendations from the Audit Committee in relation to the reporting requirements and the appropriate accounting policies for the Company, the appointment of auditors and their remuneration, and the identification and management of risk;* · *Receives recommendations from the Appointments Committee concerning the appointment of executive directors, and from the Remuneration Committee concerning the remuneration of the executive directors;* · *Determines the fees paid to the non-executive directors.* *The CEO has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. This includes responsibility for all components and departments of a business. The CEO to ensures that the organisation's leadership maintains constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.* *The Finance Director works alongside the CEO and has overall control and responsibility for all financial aspects of company strategy. The Finance Director takes overall responsibility of the Company's accounting function and ensures that Company's financial systems are robust, compliant and support current activities and future growth. The Finance Director will coordinate corporate finance and manage company policies regarding capital requirements, debt, taxation, equity and acquisitions as appropriate.*

Principle	**Application**	**Compliance**
		The Board is supported by two committees being the Audit Committee and Remuneration Committee. The Audit Committee advises the Board on the reporting requirements and the appropriate accounting policies for the Company, the appointment of auditors and their remuneration, and the identification and management of risk. The Remuneration Committee advises the Board on all matters pertaining to the remuneration of the executive directors;
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: · the communication of shareholders' views to the board; and · the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).	*The Company encourages two-way communication with both its institutional and private investors and responds quickly to all significant queries received.* *The "Investors" tab of this website section of this website contains all required regulatory information together with other information which shareholders may find useful.* *The AGM is an important forum for shareholder engagement, and the directors are always available immediately after the AGM to listen to the views of any shareholders in attendance and to provide them with an update on the business.* *All votes at the most recent AGM held on 20 September 2019 were passed. The proxy votes were in excess of 85% in favour of all resolutions.* *Currently there is no Remuneration or Audit Committee report provided in the Annual report but the Board will consider the provision of this in the next Annual report together with other information which shareholders may find useful.*

Internal Controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. While they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by Senior Management to forecasts. Project milestones and timelines are reviewed regularly.

Business Risk

The Board regularly evaluates and reviews any business risks when reviewing project timelines. The types of risks reviewed include:

- regulatory and compliance obligations
- occupational health, safety and environmental requirements
- legal risks relating to contracts, licences and agreements
- insurance risks
- political risks where appropriate.

Insurance

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

Treasury Policy

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board.

Securities Trading

The Board has adopted a Share Dealing Code that applies to Directors, Senior Management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the individual has received the appropriate prescribed clearance.

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

The remuneration of the Directors was as follows:

	A Fairbourn	A Suckling	K Morzaria	D Strang	Total
	£	£	£	£	£
Short-term employment benefits:					
Year to 31 December 2019					
Salary and fees	48,000	100,000	150,000	120,000	418,000
Share based payments (1)	142	327	327	327	1,123
Total	**48,142**	**100,327**	**150,327**	**120,327**	**419,123**
Year to 31 December 2018					
Salary and fees	52,250	112,500	127,500	127,500	419,750
Share based payments (1)	850	1,962	1,962	1,962	6,736
Total	53,100	114,462	129,462	129,462	426,486

Share based payments represent a Black and Scholes valuation of the incentive options granted to the directors during 2017. Options are used to incentivise directors and are a non-cash form of remuneration.

At 31 December 2019 the following amounts were outstanding in fees to directors; £66,919 (2018: £115,500).

Pensions
The Company only operates a basic pension scheme for its directors and employees as required by UK legislation.

Benefits in kind
No benefits in kind were paid during the year to 31 December 2019 or the year ended 31 December 2018.

Bonuses
No amounts were payable for bonuses in respect of the Year ended 31 December 2019 or the year ended 31 December 2018.

Notice periods
Andrew Suckling, Kiran Morzaria, Don Strang and Adrian Fairbourn, each have a 12 month rolling notice period.

Share option incentives
At 31 December 2019 the following options were held by the Directors:

	Date of grant	Exercise price	Number of options
K Morzaria	21 May 2014	48p	600,000
			600,000
A Fairbourn	13 December 2012	6p	200,000
A Fairbourn	21 May 2014	48p	400,000
			600,000
D Strang	21 May 2014	48p	600,000
			600,000

All options are exercisable between 18 months and ten years from the date of grant.

The high and low share price for the year were 38p and 6.625p respectively (year ended 31 December 2018: 37p and 11.8p). The share price at 31 December 2019 was 6.75p (31 December 2018: 11.8p) Historical share prices and option prices have been adjusted to reflect the share consolidation.

OPINION

We have audited the financial statements of Cadence Minerals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's losses for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included 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. This is not a complete list of all risks identified by our audit. Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

We have determined the matters described below to be the key audit matters to be communicated in our report.

CARRYING VALUE OF INVESTMENTS IN ASSOCIATES

The Group's Investment in Associate assets ('Associates') represents one of the most significant asset on its statement of financial position totalling £12.6m as at 31 December 2019, which includes listed and unlisted investments.

The carrying value of associates represents significant assets of the Group and Parent Company, and assessing whether facts or circumstances exist to suggest that impairment indicators were present, and if present, whether the carrying amount of these asset may exceed its recoverable amount was considered key to the audit. This assessment involves significant judgement applied by management to the Group and Parent Company's listed and unlisted assoicate investments.

We considered it necessary to assess whether facts and circumstances existed to suggest that impairment indicators were present, and if present, whether the carrying amount of these assets may exceed its recoverable amount.

How the Matter was addressed in the Audit

The procedures included, but were not limited to, assessing and evaluating management's assessment of whether any impairment indicators have been identified across the Group and Parent Company's associate assets, the indicators being:

- Expiring, or imminently expiring, rights to licences or assets held by the investee Companies.
- A lack of flow of information in regards to the investee companies exploration activities and/or production, trading or strategic advancement.
- Discontinuation of, or a plan to discontinue, exploration activities in the areas, or cessation or delays in trading of interest by the Investee Companies.
- Sufficient data exists to suggest carrying value of exploration and evaluation assets is unlikely to be recovered in full through successful development or sale by the Investee Companies.
- Updates on trading activities by Investee Companies.
- Review available share prices of the listed investments and available research reports, both during the year and after the year end.

We also reviewed Stock Exchange RNS announcements and Board meeting minutes for the year and subsequent to year end to identify any indicators of impairment.

We also assessed the related disclosures included in the financial statements.

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified. Based on professional judgement, we determined overall materiality for the financial statements as a whole to be £230,000, based on a 1.25% percentage consideration of the Group's total assets .

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Rowan Palmer
(Senior Statutory Auditor)
For and on behalf of Chapman Davis LLP, Statutory Auditor
London
Chapman Davis LLP is a limited liability partnership registered in England and Wales (with registered number OC306037).

25 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Income			
Unrealised profit/(loss) on available for sale assets	*9*	**420**	(7,440)
Realised loss on available for sale assets	*9*	**(97)**	(1,967)
Other income	*1*	**10**	140
		333	(9,267)
Share based payments		**(1)**	(7)
Impairment of intangibles	*6*	**(446)**	-
Other administrative expenses		**(1,399)**	(1,454)
Total administrative expenses		**(1,846)**	(1,461)
Operating loss	*1*	**(1,513)**	(10,728)
Share of associates losses	*8*	**(262)**	(555)
Finance cost	*3*	**(381)**	(377)
Foreign exchange losses		**(115)**	(105)
Loss before taxation		**(2,271)**	**(11,765)**
Taxation	*4*	**-**	-
Loss attributable to the equity holders of the Company		**(2,271)**	(11,765)
Other comprehensive income			
Foreign exchange		**232**	(150)
Other comprehensive income for the period, net of tax		**232**	(150)
Total comprehensive loss for the year, attributable to the equity holders of the company		**(2,039)**	(11,915)
(Loss)/Profit per ordinary share			
Basic loss per share (pence)	*5*	**(2.544)**	(14.985)
Diluted loss per share (pence)	*5*	**(2.466)**	(14.469)

The accompanying principal accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITITON

As at 31 December 2019

ASSETS	*Note*	**31 December 2019 £'000**	31 December 2018 £'000
Non-current			
Intangible assets	*6*	**2,266**	2,172
Investment in associate	*8*	**12,636**	12,483
		14,902	14,655
Current			
Trade and other receivables	*10*	**246**	315
Available for resale asset	*9*	**1,121**	2,895
Cash and cash equivalents		**2,496**	468
Total current assets		**3,863**	3,678
Total assets		**18,765**	18,333
LIABILITIES			
Current			
Trade and other payables	*11*	**343**	223
Borrowings	*12*	**2,982**	3,706
Total current liabilities		**3,325**	3,929
Total liabilities		**3,325**	3,929
EQUITY			
Issued share capital	*13*	**1,471**	1,202
Share premium		**30,357**	27,552
Share based premium reserve		**1,383**	1,392
Equity loan and exchange reserve		**7**	(225)
Retained earnings		**(17,778)**	(15,517)
Equity attributable to equity holders of the Company		**15,440**	14,404
Total equity and liabilities		**18,765**	18,333

The consolidated financial statements were approved by the Board on 25 June 2020, and signed on their behalf by;

Kiran Morzaria
Director

Don Strang
Director

Company number 05234262

The accompanying principal accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		31 December 2019	31 December 2018
ASSETS	***Note***	**£'000**	£'000
Non-current			
Intangible assets		**759**	325
Investment in associates	*8*	**9,937**	9,794
Investment in subsidiaries	*7*	**906**	906
		11,602	11,025
Current			
Trade and other receivables	*10*	**4,129**	4,515
Available for resale asset	*9*	**1,121**	2,895
Cash and cash equivalents		**2,496**	468
Total current assets		**7,746**	7,878
Total assets		**19,348**	18,903
LIABILITIES			
Current			
Trade and other payables	*11*	**343**	223
Borrowings	*12*	**2,982**	3,706
Total current liabilities		**3,325**	3,929
Total liabilities		**3,325**	3,929
EQUITY			
Issued share capital	*13*	**1,471**	1,202
Share premium		**30,357**	27,552
Share based premium reserve		**1,383**	1,392
Equity loan and exchange reserve		**139**	(116)
Retained earnings		**(17,327)**	(15,056)
Equity attributable to equity holders of the Company		**16,023**	14,974
Total equity and liabilities		**19,348**	18,903

The Company financial statements were approved by the Board on 25 June 2020, and signed on their behalf by;

Kiran Morzaria
Director

Don Strang
Director

Company number 05234262
The accompanying principal accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Share capital	Share premium	Share based payment reserves	Equity loan component and exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2017	1,202	27,552	3,178	337	(5,545)	26,724
Share based payments	-	-	7	-	-	7
Transfer on lapse of warrants	-	-	(1,793)	-	1,793	-
On issue of loan notes	-	-	-	(412)	-	(412)
Transactions with owners	-	-	(1,786)	(412)	1,793	(405)
Foreign exchange	-	-	-	(150)	-	(150)
Profit for the period	-	-	-	-	(11,765)	(11,765)
Total comprehensive profit for the period	-	-	-	(150)	(11,765)	(11,915)
Balance at 31 December 2018	1,202	27,552	1,392	(225)	(15,517)	14,404
Share based payments	-	-	1	-	-	1
Transfer on lapse of options	-	-	(10)	-	10	-
Share issue	269	3,031	-	-	-	3,300
Share issue costs		(226)	-	-	-	(226)
Transactions with owners	269	2,805	(9)	-	10	3,075
Foreign exchange	-	-	-	-	-	-
Loss for the period	-	-	-	232	(2,271)	(2,039)
Total comprehensive loss for the period	-	-	-	232	(2,271)	(2,039)
Balance at 31 December 2019	**1,471**	**30,357**	**1,383**	**7**	**(17,778)**	**15,440**

The accompanying principal accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Share capital	Share premium	Share based payment reserves	Equity loan and exchange reserve	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 December 2017	1,202	27,552	3,178	406	(5,092)	27,246
Share based payments	-	-	7	-	-	7
Warrants issued	-	-	(1,793)	-	1,793	-
Transfer on exercise of options	-	-	-	(412)	-	(412)
Transactions with owners	-	-	(1,786)	(412)	1,793	(405)
Foreign exchange	-	-	-	(110)	-	(110)
Profit for the period	-	-	-	-	(11,757)	(11,757)
Total comprehensive profit for the period	-	-	-	(110)	(11,757)	(11,867)
Balance at 31 December 2018	1,202	27,552	1,392	(116)	(15,056)	14,974
Share based payments	-	-	1	-	-	1
Transfer on lapse of warrants	-	-	(10)	-	10	-
Share issue	269	2,805	-	-	-	3,074
Transactions with owners	269	2,805	(9)	-	10	3,075
Foreign exchange	-	-	-	255	-	255
Loss for the period	-	-	-	-	(2,281)	(2,281)
Total comprehensive loss for the period	-	-	-	255	(2,281)	(2,026)
Balance at 31 December 2019	**1,471**	**30,357**	**1,383**	**139**	**(17,327)**	**16,023**

The accompanying principal accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flow from operating activities		
Continuing operations		
Operating loss	**(1,513)**	(10,728)
Net realised/unrealised loss/(profit) on AFSA	**(323)**	9,407
Impairment of intangible assets	**446**	-
Equity settled share-based payments	**1**	7
Decrease in trade and other receivables	**69**	407
Increase/(decrease) in trade and other payables	**120**	(39)
Net cash outflow from operating activities from continuing operations	**(1,200)**	(946)
Cash flows from investing activities		
Investment in exploration costs	**(664)**	(325)
Payments for investments in associates	**(75)**	(50)
Receipts from investments in associates	**160**	-
Payments for investments in AFS assets	**-**	(523)
Receipts on sale of AFS assets	**2,097**	1,755
Net cash inflow from investing activities	**1,518**	857
Cash flows from financing activities		
Proceeds from issue of share capital	**2,900**	-
Share issue costs	**(226)**	-
Net borrowings	**(583)**	(1,103)
Finance cost	**(381)**	(377)
Net cash inflow/(outflow) from financing activities	**1,710**	(1,480)
Net change in cash and cash equivalents	**2,028**	(1,569)
Cash and cash equivalents at beginning of period	**468**	2,037
Cash and cash equivalents at end of period	**2,496**	468

There was a non-cash consideration of £400,000 settled through the issue of shares in respect of investments in associates.

The accompanying principal accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flow from operating activities		
Continuing operations		
Operating (loss)/profit	**(1,514)**	**(10,727)**
Loss/(profit) on AFSA	**(323)**	9,407
Impairment of intangible assets	**129**	-
Equity settled share-based payments	**1**	7
Decrease in trade and other receivables	**386**	406
Increase/(decrease) in trade and other payables	**120**	(39)
Net cash outflow from operating activities from continuing operations	**(1,201)**	(946)
Cash flows from investing activities		
Payments for investments in associates	**(75)**	(50)
Receipts from investments in associates	**160**	-
Payments for intangibles	**(663)**	(325)
Payments for investments in AFS assets	**0**	(523)
Receipts on sale of AFS assets	**2,097**	1,755
Net cash inflow from investing activities	**1,519**	857
Cash flows from financing activities		
Proceeds from issue of share capital	**2,900**	-
Share issue costs	**(226)**	-
Net borrowings	**(583)**	(1,103)
Finance cost	**(381)**	(377)
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There was a non-cash consideration of £400,000 settled through the issue of shares in respect of investments in associates.

The accompanying principal accounting policies and notes form an integral part of these financial statements.

GENERAL INFORMATION

Cadence Minerals plc is a company incorporated in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange, and on the NEX Exchange Growth Market as operated by NEX Exchange Limited ("NEX").

The Financial Statements are for the year ended 31 December 2019 and have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 25 June 2020 and signed on their behalf by Donald Strang and Kiran Morzaria.

The accounting policies have been applied consistently throughout the preparation of these Financial Statements, and the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

INVESTING POLICY

The Company's investing policy, which was approved at a General Meeting on 29 November 2010, is to acquire a diverse portfolio of direct and indirect interests in exploration and producing rare earth minerals and/or other metals projects and assets ('Investing Policy'). In light of the nature of the assets and projects that will be the focus of the Investing Policy, the Company will consider investment opportunities anywhere in the world.

The Directors have considerable investment experience, both in structuring and executing deals and in raising funds. Further details of the Directors' expertise are set out on the Company website. The Directors will use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary, the Company will engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment. For the acquisitions that they expect the Company to make, the Directors may adopt earn-out structures with specific performance targets being set for the sellers of the businesses acquired and with suitable metrics applied.

The Company may invest by way of outright acquisition or by the acquisition of assets – including the intellectual property – of a relevant business, partnership or joint venture arrangement. Such investments may result in the Company acquiring the whole or part of a company or project (which, in the case of an investment in a company, may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question. The Company's investments may take the form of equity, joint venture, debt, convertible documents, licence rights, or other financial instruments such as the Directors deem appropriate.

The Company may be both an active and a passive investor depending on the nature of the individual investments in its portfolio. Although the Company intends to be a long-term investor, the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, or on the proportion of the Company's gross assets that any investment may represent at any time, and the Company will consider possible opportunities anywhere in the world.

The Directors may offer new ordinary shares in the capital of the Company by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, by way of example and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may, in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. There are no borrowing limits in the Articles of Association of the Company. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the ordinary shares.

GOING CONCERN

The Directors have prepared cash flow forecasts for the period ending 30 June 2021 which take account of the current cost and operational structure of the Group.

The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding.

These forecasts demonstrate that the Group has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Group and Company remains a going concern. At 31 December 2019 the Company had cash and cash equivalents of £2,496,000, available for sale assets of £1,121,000 and borrowings of £2,967,000, of which $300,000 has been converted since the year end. The Group has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

STATEMENT OF COMPLIANCE WITH IFRS

The Group and the Company's financial statements have been prepared under the historical cost convention and the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and Company are set out below.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The Company obtains and exercises control through voting rights. Subsidiaries are fully consolidated from the date at which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are written off as incurred.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

REVENUE

Other income represents the total value, excluding VAT of income receivable from professional services. Income is recognised as the services are provided. IFRS 15 'Revenue from Contracts with Customers' has been adopted. To determine whether to recognise revenue, the Group follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The realised and unrealised gains and losses on Available For Sale Assets which are quoted investments are taken into income, less any related costs of purchase or sale.

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

FINANCIAL ASSETS

The Group's financial assets include cash, other receivables and available for sale assets. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:
• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

<u>Subsequent measurement of financial assets</u>

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements would apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

The Group considers trade and other receivables individually in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed and unlisted securities. These available-for-sale financial assets are measured at fair value. Gains and losses are recognised in the statement of comprehensive income as revenue. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. Reversals of impairment losses are recognised in other comprehensive income.

INTANGIBLE ASSETS – LICENCES

Licences are recognised as an intangible asset at historical cost and are carried at cost less accumulated amortisation and accumulated impairment losses. The licences have a finite life and no residual value and are amortised over the life of the licence.

EXPLORATION OF MINERAL RESOURCES

Acquired intangible assets, which consist of mining rights, are valued at cost less accumulated amortisation.

The Group applies the full cost method of accounting for exploration and evaluation costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. All costs associated with mining development and investment are capitalised on a project by project basis pending determination of the feasibility of the project. Such expenditure comprises appropriate technical and administrative expenses but not general overheads.

Such exploration and evaluation costs are capitalised provided that the Group's rights to tenure are current and one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
(ii) the activities have not reached a stage which permits a reasonable assessment of whether or not economically recoverable resources exist; or
(iii) active and significant operations in relation to the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any exploration and evaluation costs previously capitalised in respect of that area are written off to profit or loss.

Amortisation does not take place until production commences in these areas. Once production commences, amortisation is calculated on the unit of production method, over the remaining life of the mine. Impairment assessments are carried out regularly by the directors. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist.

The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each reporting date. An assets' carrying value is written down immediately to its recoverable value if the assets carrying amount is greater than its listed recoverable amount.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, bank deposits repayable on demand, and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable within three months from the date of advance if the advance forms part of the Group's cash management.

GOODWILL

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in profit or loss.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

EQUITY

Share capital is determined using the nominal value of shares that have been issued.

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 payment reserve represents the cumulative amount which has been expensed in the income statement in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

The equity loan and exchange reserve represents the equity component of the issued convertible loan notes, and currency translation movements in foreign exchange.

Retained earnings include all current and prior period results as disclosed in the income statement.

OPERATING LEASES

The Group has no leases expiring after more thanone year. Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

FOREIGN CURRENCIES

The financial statements are presented in Sterling, which is also the functional currency of the parent Company.

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

In the consolidated financial statements, the financial statements of subsidiaries, originally presented in a functional currency, have been translated into Sterling. Assets and liabilities have been translated into Sterling at the exchange rates ruling at the balance sheet date. Profit and losses have been translated at an average monthly rate for the period. Any differences arising from this procedure are taken to the foreign exchange reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities to the foreign entity and translated into Sterling at the closing rates.

SHARE BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

FINANCIAL LIABILITIES

The Group's financial liabilities include trade and other payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgments and estimates
The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

- The estimates and underlying judgments 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.

- In the preparation of these consolidated financial statements, estimates and judgments have been made by management concerning calculating the fair values of the assets acquired on business combinations, and the assumptions used in the calculation of the fair value of the share options. Actual amounts could differ from those estimates.

- Management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of goodwill
The basis of review of the carrying value of goodwill is as detailed in note 6. The carrying value of goodwill is £574,000 at the balance sheet date. Management do not consider that any reasonably foreseeable changes in the key assumptions would result in an impairment. Further details of management's assessment of the goodwill for impairment are included in note 6.

Business combinations
On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognised in the income statement in the subsequent period.

Share-based payments
The Group measures the cost of the equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The charge for the period ended 31 December 2019 of £1,000 (2018: £7,000) is determined using a Black-Scholes Valuation model, using the assumptions detailed in note 14.

Treatment of exploration and evaluation costs
IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires an entity to consistently apply a policy to account for expenditure on exploration and evaluation of a mineral resource. The directors have set out their policy in respect of the treatment of these costs in the accounting policies. Amounts capitalised in the year to 31 December 2019 were £2,679,000 (2018: £325,000). Additionally £446,000 of costs previously capitalised have been impaired in the year to 31 December 2019 (2018: £Nil).

ADOPTION OF NEW OR AMENDED IFRS

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2019 are not material to the Company.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 17 Insurance Contracts (effective date 1 January 2021).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Sources of Estimation and Key Judgements

The preparation of the Financial Statements requires the Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historic experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

1. PROFIT BEFORE TAXATION AND SEGMENTAL INFORMATION

Profit before taxation - continuing operations

The loss before taxation is attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Share based payment charge	**1**	7
Impairment of intangibles	**446**	-
Directors fees and consulting (see note 2)	**418**	420
Operating lease rentals: land and buildings	211	204
Fees payable to the Company's auditor for the audit of the financial statements	**18**	18
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	**-**	-

Segmental information

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the period is the investment in and development of lithium and rare earth assets.

Subject to further acquisitions the Group expects to further review its segmental information during the forthcoming financial year.

The Group generated revenues from external customers totalling £10,000 (2018: £140,000) during the period.

In respect of the total assets, £727,000 (2018: £783,000) arise in the UK, and £Nil (2018: £317,000) arise in Greenland, £3,631,000 arise in Mexico (2018: £5,553,000), £10,064,000 (2018: £10,808,000) arise in Australia, £2,775,000 (2018: £100,000) arise in Brazil, £575,000 (2018: £225,000) arise in Argentina and £993,000 arise in Canada (2018: £547,000).

2. EMPLOYEE REMUNERATION

Employee benefits expense

The expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages, salaries and consulting fees	**478**	456
Employers NI	**30**	21
Share based payments	**1**	7
	509	484

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

	2019 No.	2018 No.
Directors	**4**	4
Other	**1**	1
	5	5

Included within the above are amounts in respect of Directors, who are considered to be the key management personnel, as follows:

	Group	
	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages, salaries and consulting fees	**418**	420
Share based payments	**1**	7
	419	427

Details of Directors' emoluments are included in the Report on Remuneration on pages 25 to 26.

3. FINANCE COSTS

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Loan interest	**220**	220
Finance Fees	**161**	157
	381	377

4. TAXATION

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	Year ended 31 December 2019	**2019**	Year ended 31 December 2018	2018
	£'000	**%**	£'000	%
(Loss)/profit before taxation	**(2,271)**		(11,765)	
(Loss)/profit multiplied by standard rate of corporation tax in the UK	**(431)**	**19**	(2,235)	19
Effect of:				
Offset against losses/deferred tax asset not recognised	**296**		2,123	
Expenses not deductible for tax purposes	**135**		112	
Total tax charge for year	**-**		-	

The Group has tax losses in the UK, subject to Her Majesty's Revenue and Customs approval, available for offset against future operating profits. The Group has not recognised any deferred tax asset in respect of these losses, due to there being insufficient certainty regarding its recovery.

5. LOSS PER SHARE

The calculation of the basic (loss)/profit per share is calculated by dividing the consolidated profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
(Loss)/profit attributable to owners of the Company	**(2,271)**	(11,765)
	2019 Number	2018 Number
Weighted average number of shares for calculating basic (loss)/profit per share	**89,273,886**	78,514,403
Share options and warrants exercisable	**2,800,000**	**2,800,000**
Weighted average number of shares for calculating diluted (loss) profit per share	**92,073,886**	81,314,403
	2019 Pence	2018 Pence
Basic (loss)/profit per share	**(2.544)**	(14.985)
Diluted (loss)/profit per share	**(2.466)**	(14.469)

The impact of the share options are considered anti-dilutive when the group's result for a period is a loss. The prior year has been adjusted for the share consolidation.

6. INTANGIBLE ASSETS

Group Intangible Assets

	Exploration costs £'000	Goodwill £'000	Licences £'000	Total £'000
Cost				
At 1 January 2018	1,549	638	174	2,361
Additions	325	-	-	325
Exchange Difference	-	(40)	-	(40)
At 31 December 2018	1,874	598	174	2,646
Additions	664	-	-	664
Reclassified as investment in associates	(100)	-	-	(100)
Exchange Difference	-	(24)	-	(24)
At 31 December 2019	2,438	574	174	3,186
Amortisation and impairment				
At 1 January 2018	(300)	-	(174)	(474)
Amortisation charge in the year	-	-	-	-
At 31 December 2018	(300)	-	(174)	(474)
Amortisation charge in the year	-	-	-	-
Impairment	(446)	-	-	(446)
At 31 December 2019	(746)	-	(174)	(920)
Net book value at 31 December 2019	**1,692**	**574**	**-**	**2,266**
Net book value at 31 December 2018	1,574	598	-	2,172
Net book value at 1 January 2018	1,249	638	-	1,887

In the year to 31 December 2019 £1,000 (2018: £Nil) was invested in Exploration costs by REM Mexico Ltd and £nil (2018: £Nil) invested in Exploration costs by Rare Earth Resources Ltd. The Exploration costs in Rare Earth Resources Ltd were impaired by £317,000 in the year (2018 £Nil). During 2019, £663,000 was invested in exploration costs by the parent company (2018: £325,000). £100,000 of Exploration costs paid for the pre-exploration licences for Lithium Supplies PTY Ltd and Lithium Technologies PTY Ltd in 2018 were reclassified as Investment in Associate as disclosed further in Note 8. The remainder of the Exploration costs capitalised in respect of Argentina of £129,000 were fully impaired in the year.

6. INTANGIBLE ASSETS CONTINUED

Company only Intangible Assets

	Exploration costs £'000	Licences £'000	Total £'000
Cost			
At 1 January 2018	-	33	33
Additions	325	-	325
At 31 December 2018	325	33	358
Additions	663	-	663
Reclassified as investment in associates	(100)	-	(100)
At 31 December 2019	888	33	921
Amortisation and impairment			
At 1 January 2018	-	(33)	(33)
Amortisation charge in the year	-	-	-
At 31 December 2018	-	(33)	(33)
Impairment in the year	(129)	-	(129)
At 31 December 2019	(129)	(33)	(162)
Net book value at 31 December 2019	**759**	**-**	**759**
Net book value at 31 December 2018	-	-	325
Net book value at 1 January 2018	-	-	-

7. INVESTMENTS IN SUBSIDIARIES – COMPANY

	Investment in group undertakings £'000
Cost and carrying value	
At 31 December 2019 and 31 December 2018	**906**

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Mojito Resources Ltd	100%	Mining	British Virgin Islands
REM Mexico Limited	100%	Mining	UK
Rare Earth Resources Limited	100%	Mining	UK

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company do not differ from the proportion of the ordinary shares held. The following companies are taking an exception from the audit of the financial statements as per S479A of the Companies Act; REM Mexico Ltd (08022329), Rare Earth Resources Ltd (08390571).

8. INVESTMENT IN ASSOCIATES

Group

	31 December 2019	31 December 2018
	£'000	£'000
Changes in equity accounted investment		
Carrying value at beginning of year	**12,483**	12,988
Equity purchases	**475**	50
Reclassified from exploration costs	**100**	-
Equity sales	**(160)**	-
Share of retained (losses) attributable to the group	**(262)**	(555)
Investment carrying value as at year end	**12,636**	12,483

The Group's two Mexican associate companies have a reporting date of 30 June. These shares are not publicly listed on a stock exchange and hence published results are not available. Therefore the fair value of the Group's investment equates to the carrying book value of £2,699,000 (31 December 2018: £2,689,000).

EMH is listed on the ASX and on AIM. The market value of the shareholding at 31 December 2019 was £4,211,000 (2018: £4,495,000), with a carrying value of £9,362,000 (2018: £9,794,000). During the year ended 31 December 2019 the company sold 730,000 CDIs in European Metal Holdings Inc (2018: acquired 250,000).

During the year £100,000 of Exploration costs paid for the pre-exploration licences for Lithium Supplies PTY Ltd and Lithium Technologies PTY Ltd in 2018 were reclassified as Investment in Associate. Additionally the Group paid £400,000 in shares and £75,000 in cash during the year, and in total has acquired a 25.875% interest in both Lithium Supplies PTY Ltd and Lithium Technologies PTY Ltd.

No accounts for 2019 are available at the time of signing these accounts for Lithium Supplies PTY Ltd and Lithium Technologies PTY Ltd. Any share of losses attributable to the Group and Company have not been account for.

8. INVESTMENT IN ASSOCIATES CONTINUED

The Group's share of results of its associates, which are unlisted, and their aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
		As at 31 December 2019		Year to 31 December 2019		
		£'000	£'000	£'000	£'000	
Mexilit S.A. de C.V.	Mexico	1,752	1,389	-	32	30%
Minera Megalit S.A. de C.V.	Mexico	438	272	-	-	30%
European Metals Holding Ltd (1)	BVI	6,516	119	262	(1,446)	18.820%
Lithium Technologies PTY Ltd	Australia	N/A	N/A	N/A	N/A	25.875%
Lithium Supplies PTY Ltd	Australia	N/A	N/A	N/A	N/A	25.875%

Company

	31 December 2019	31 December 2018
	£'000	£'000
Changes in equity accounted investment		
Carrying value at beginning of year	**9,794**	10,292
Equity purchases	**475**	50
Reclassified from exploration costs	**100**	-
Equity sales	**(160)**	-
Share of retained (losses) attributable to the group	**(272)**	(548)
Investment carrying value as at year end	**9,937**	9,794

9. AVAILABLE FOR SALE INVESTMENTS

Available for sale assets	31 December 2019	31 December 2018
	£'000	£'000
Current Assets - Listed Investments		
Valuation at 1 January	**2,895**	13,534
Additions at cost	**-**	523
Disposal proceeds	**(2,097)**	(1,755)
Realised loss on disposal	**(97)**	(1,967)
Change in fair value recognised in income statement	**420**	(7,440)
Valuation at 31 December	**1,121**	2,895

During the year ended 31 December 2019 the company disposed of a variety of its shareholdings, including its reamining holding in Bacanora Minerals Limited.

Available-for-sale assets comprise investments in listed securities which are traded on stock markets throughout the world, and are held by the Group as a mix of strategic and short term investments.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£'000	£'000	£'000	£'000
Current				
Trade receivables	**-**	43	**-**	43
Other receivables	**118**	154	**118**	154
Amounts owed by subsidiaries	**-**	-	**3,883**	4,200
Prepayments and accrued income	**128**	118	**128**	118
	246	315	**4,129**	4,515

There is no impairment of receivables and no amounts are past due at 31 December 2019 or 31 December 2018.

The fair value of these financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	£'000	£'000	**£'000**	£'000
Trade payables	**232**	78	**232**	78
Tax and social security	**45**	-	**45**	-
Other payables	**5**	-	**5**	-
Accruals and deferred income	**61**	145	**61**	145
	343	223	**343**	223

The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

12. BORROWINGS

	31 December 2019	31 December 2018
	£'000	£'000
Current liabilities		
Loan Notes	**2,973**	3,672
Interest accrued	**9**	34
	2,982	3,706

On 1 November 2017 the Company announced that the outstanding balance owed in loans of $6,130,034 at that date was restructured into two loans as follows:

Loan 1 for $2,365,017 had an interest rate of 10%, a principle and interest rate repayment holiday until January 2018, after which the principle and interest would be paid via equal instalments over a nine-month period. The loan notes were convertible at any time during this period at 0.473 pence, being a 46% premium to the closing mid-market price as at 31 October 2017.

Loan 2 for $3,765,017 carried zero interest rate and the principle was due to be repaid in September 2018. The loan notes were convertible at any time during this period at 0.364 pence, being a 12% premium to the closing mid-market price as at 31 October 2017.

Both Convertible Loans were secured by a pledge over the assets of the Company.

Loan Note 1 was initially recognised as a liability of £1,591,000 (USD$2,150,000) and an equity element of £159,000 (USD$215,000). Loan Note 2 was initially recognised as a liability of £2,523,000 (USD$3,423,000) and an equity element of £253,000 (USD$342,000).

During the year ended 31 December 2018, Loan Note 1 was repaid in full and new loans were entered into in September 2018 totalling £3,713,000 (USD$4,875,000) to repay Loan Note 2 and future interest payments. The new loans carry an interest rate of 12% and had a principle repayment holiday until 1 January 2019. After which the loans will be repaid via 12 equal monthly instalments with both the principle and interest being fully repaid by 1 December 2019. The loans are secured over the Company's assets. The loan notes are only convertible should the Group default on repayments, in which case the lendor can opt to convert the outstanding balance at 85% of the WWAV for the 15 working days prior to the conversion.

12. BORROWINGS CONTINUED

During the year ended 31 December 2019, £2,089,000 (USD$2,677,000) was repaid including interest of £146,000 (USD$186,000) and foreign exhange of (£1,000) was recognised, leaving a balance of £1,762,000 (USD$2,229,000). On 15 July 2019, the Company announced it had completed the restructure of two of the three outstanding loan notes with the same consortium of institutional lenders. The two new loan notes repaid US$1.19 million of the Amortising Loan Note and have been restructured as a convertible loan note with an exercise price of 0.12 pence (12 pence post share consolidation) and will attract an effective annual interest rate of 7.9% ("Convertible Loan Note"). Cadence would initially only pay the interest on the Convertible Loan Note until the 1 January 2020, after which 50% of the outstanding balance will be paid back over 8 months (1 August 2020). The outstanding 50% will be paid back on 1 September 2020.

In addition, and to, in part, fund the working capital requirements of the Amapá Project, Cadence drew down a further US$ 1.25 million of the Convertible Loan Note under the same terms. After this draw down the outstanding balance on the Convertible Loan Note was US$2.44 million. The note is secured over the Company's assets.

On 19 July 2019, the Company also agreed to resructure the remaining loan note as a convertible loan note with an exercise price of 0.12 pence, amended to 12p post the share consolidation, ("Convertible Loan Note"). The new loan note repaid $1,041,000 of the Amortising Loan Note and a futher $500,000 was drawn down. Additionally on 26 November 2019 a further $200,000 was drawn down.

Of the new loan notes, £235,000 (USD$289,000) interest and finance charges were charged in the period, £429,000 (USD$499,000) was repaid and (£139,000) foreign exchange was recognised.

13. SHARE CAPITAL

	31 December 2019	31 December 2018
	£'000	£'000
Allotted, issued and fully paid		
173,619,050 deferred shares of 0.24p	**417**	417
105,461,968 ordinary shares of 1p (31 December 2018: 7,851,440,338 ordinary shares of 0.01p)	**1,054**	785
	1,471	1,202

	Ordinary shares	
	No.	£'000
Allotted and issued		
At 1 January 2018 and 31 December 2018	7,851,440,338	785
Issue of shares during the year	2,694,756,406	269
Share consolidation	(10,440,734,776)	-
At 31 December 2019	**105,461,968**	**1,054**

On 26 March 2019, 866,666,663 shares were issued for gross proceeds of £1,300,000. On 17 April 2019, 373,544,298 shares were issued in respection of the acquisition of the interests in Lithium Technology PTY Ltd and Lithium Supplies PTY Ltd. On 27 June 2019, 1,454,545,445 shares were issued for gross proceeds of £1,600,000.

During the year ended 31 December 2018, no shares were issued.

The deferred shares have no voting rights and are not eligible for dividends.

There were no warrants outanding at 31 December 2019 or 31 December 2018.

14. SHARE BASED PAYMENTS

Share Options
The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The expected life of the options varies between 1 and 6 years. All options issued in the prior years vested immediately, with no vesting requirements. . The options which were issued during the year ended 31 December 2017 have vesting conditions attached thereto, and these are detailed on the subsequent disclosures within this note. No options were issued during the years ended 31 December 2019 or 31 December 2018.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	31 December 2019		31 December 2018	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**5,125,706**	**0.437**	5,125,706	0.457
Lapsed	**(2,325,706)**	**-**	-	-
Outstanding at the end of the year	**2,800,000**	**0.434**	5,125,706	0.437
Exercisable at year end	2,800,000		2,800,000	

The share options outstanding at the end of the period have a weighted average remaining contractual life of 0.97 years (31 December 2018: 1.15 years) and have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Exercise price	Fair value	**31 December 2019**	31 December 2018
		£	£	**Number**	Number
28 January 2013	28 January 2010	0.06	0.0004	100,000	100,000
13 December 2012	13 December 2012	0.06	0.00055	200,000	200,000
28 June 2013	28 June 2013	0.06	0.000371	100,000	100,000
21 May 2014	21 May 2014	0.48	0.004711	2,000,000	2,000,000
23 May 2014	23 May 2014	0.58	0.005574	400,000	400,000
1 March 2019	29 August 2017	0	0.00415	-	288,859
1 March 2019	29 August 2017	0	0.00415	-	393,269
1 March 2019	29 August 2017	0	0.00415	-	1,643,578
				2,800,000	5,125,706

At 31 December 2019 2,800,000 options were exercisable (31 December 2018: 2,800,000).

All option numbers and prices have been adjusted for the share consolidation.

14. SHARE BASED PAYMENTS CONTINUED

For those options and warrants granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model for share based payments recognised in the current and prior year were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
29 August 2017	n/a	n/a	18 months	£0.415

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The options granted on 29 August 2017, had a zero exercise price and therefore the value was the share price at the time of issue of 41.5p, irrespective of the interest rate and volatility.

All of the options are exercisable 18 months after the grant date provided that the share price has met a certain price. Should the share price not be achieved the options will lapse.

288,859 options only vest if VWAP is greater or equal to 92p on vesting date
393,269 options only vest if VWAP is greater or equal to 182p on vesting date
1,643,578 options only vest if VWAP is greater or equal to 218p on vesting date

All share prices have been adjusted for the share consolidation.

Additionally the option holder must have made market purchases of ordinary shares equal to a total of one third of the Option Holders's annual salary or participated in a Company share purchase programme for a period of at least six months prior to the grant date.

It has been assumed that the likelihood on the options of the three sets of options vesting is 60%, 20% and 10% respectively, and the share option has been calculated accordingly.

Of the 2,325,706 options issued during the year ended 31 December 2017, 2,236,321 were replacement options for the 3,000,000 options issued in July 2016, which were cancelled at the time the new options were issued. The charge in respect of these would have been £163,000, but as £716,000 had already been charged in respect of the 2016 options no charge has been made. The remaining 89,385 new options issued during the year ended 31 December 2017, carry a charge of £10,000 which has been spread over the 18 month vesting period.

All share prices and volumes have been adjusted for the share consolidation.

The Group therefore recognised total expenses of £1,000 (year ended 31 December 2018: £7,000) relating to equity-settled share-based payment transactions during the period.

15. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2019 or 31 December 2018.

16. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2019 or 31 December 2018.

17. LEASE COMMITMENTS

There were the following commitments under non-cancellable operating leases.

	31 December 2019	31 December 2018
	£'000	£'000
Amounts due within one year	**66**	168
Amounts due within two to five years	**-**	251
	66	419

The Company has taken advantage of the break clause in the lease which ends on the 20th July 2020.

18. FINANCIAL INSTRUMENTS

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows. Long term financial investments are managed to generate lasting returns.

The Group has purchased shares in Companies which are listed on public trading exchanges such as the LSE, TSX and ASX, and these shares are held as an available-for-sale asset. The most significant risks to which the Group is exposed are described below:

a Credit risk

The Group's credit risk will be primarily attributable to its trade receivables. At 31 December 2019, the Group had minimal trade receivables and therefore minimal risk arises.

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	31 December 2019				31 December 2018			
	AFS (carried at fair value	**Loans and receivables**	**Derivative financial assets**	**Statement of Financial position total**	AFS (carried at fair value)	Loans and receivables	Derivative financial assets	Statement of financial position total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Available-for-sale financial asset	**1,121**	**-**	-	**1,121**	2,895	-	-	2,895
Other long term financial assets	**1,121**	**-**	-	**1,121**	2,895	-	-	2,895
Trade receivables	**-**	**0**	-	**-**	-	43	-	43
Other receivables	**-**	**118**	-	**118**	-	154	-	154
Prepayments and accrued income	**-**	**128**	-	**128**	-	118	-	118
Cash and cash equivalents	**-**	**2,496**	-	**2,496**	-	468	-	468
Total	**1,121**	**2,742**	**-**	**3,863**	2,895	783	-	3,678

18. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

Investments
The Group's investment in shares in Listed Companies are included as an available-for-sale asset has been classified as Level 1, as market prices are available and the market is considered an active, liquid market.

The credit risk on liquid funds is limited because the Group only places deposits with leading financial institutions in the United Kingdom.

b Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

c Market risk

The amount and quality of minerals available and the related costs of extraction and production represent a significant risk to the group. The group is exposed to fluctuating commodity prices in respect of the underlying assets. The Group seeks to manage this risk by carrying out appropriate due diligence in respect of the projects in which it invests.

The Group is exposed to the volatility of the stock markets around the world, on which it holds shares in various listed entities, and the fluctuation of share prices of these underlying companies. The Group manages this risk through constant monitoring of its investments share prices and news information, but does not hedge against these investments.

d **Interest rate risk**

The Group only has borrowings at fixed coupon rates and therefore minimal interest rate risk, as this is deemed its only material exposure thereto.

e Foreign exchange risk

The Group has borrowings of £2,982,000 which are denominated is US dollars. These loans leave the Group exposed to a foreign currency risk. The Board is considering whether arrangements should be made to mitigate this risk. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

18. FINANCIAL INSTRUMENTS CONTINUED

f Financial liabilities

The group's financial liabilities are classified as follows:

	31 December 2019			31 December 2018		
	Other financial liabilities at amortised cost	**Liabilities not within the scope of IAS 39**	**Total**	Other financial liabilities at amortised cost	Liabilities not within the scope of IAS 39	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Trade payables	**232**	**-**	**232**	78	-	78
Accruals and deferred income	**-**	**61**	**61**	-	145	145
Other payables	**50**	**-**	**50**	-	-	-
Borrowings	**2,982**	**-**	**2,982**	3,706	-	3,706
Total	**3,264**	**61**	**3,325**	3,784	145	3,929

Maturity of financial liabilities

All financial liabilities at 31 December 2019 and 31 December 2018 mature in less than one year.

Borrowing facilities for the period ended 31 December 2019

The Group has committed borrowing facilities at 31 December 2019 of £2,967,000 (31 December 2018: £3,706,000). See Note 12 for details.

g Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, to ensure an optimal capital structure, and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Short-term borrowings	Total
1 January 2019	**3,706**	**3,706**
Cash-flows:		
- Proceeds	1,715	1,715
- Interest charged	220	220
- Realised foreign exchange	(2)	(2)
- Repayments	(2,518)	(2,518)
Non-cash:		
- Unrealised Foreign exchange movement	(139)	(139)
31 December 2019	**2,982**	**2,982**

	Short-term borrowings	Total
1 January 2018	**4,182**	**4,182**
Cash-flows:		
- Proceeds	3,713	3,713
- Interest charged	220	220
- Realised foreign exchange	97	97
- Repayments	(5,034)	(5,034)
Non-cash:		
- Transfer from equity	412	412
- Unrealised Foreign exchange movement	116	116
31 December 2018	**3,706**	**3,706**

20. RELATED PARTY TRANSACTIONS

There are no related party transactions to disclose.

Key Management Personnel are considered to be the Company Directors only, and their fees and remuneration are disclosed in the Directors Remuneration on pages 23 to 24, and within Note 2 to the financial statements.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 May 2020, the Company announced that it had placed a total of 10,749,998 new Ordinary Shares at 6p each raising £525,000 before expenses. The Company also announced that it had converted $300,000 of its Convertible Loan Notes into 3,995,000 new Ordinary Shares at 6p each.

On 5 June 2020, the Company announced that it converted approximatel £220,000 of its Convertible Loan Notes into 1,835,706 new Ordinary Shares at 12p each.

On 8 June 2020, the Company announced that it had placed a total of 7,222,219 new Ordinary Shares at 9p each raising £650,000 before expenses. The Company now has 129,264,891 Ordinary Shares in issue. There are no shares held in treasury. The total voting rights in the Company is therefore 129,264,891 and Shareholders may use this figure as the denominator by which they are required to notify their interest in, or change to their interest in, the Company under the Disclosure Guidance and Transparency Rules.

After the reporting date, there has been a significant fall in global stock markets as a result a number of the Company's investments have been impacted by COVID-19. Under IFRS these are non-adjusting events in respect of the year-end 31 December 2019. Although the full extent and timing of the impact of these events is not yet known, the Company expects it may experience delays in returns generated as a result of COVID-19. Consequently, the financial reporting impact will need to be considered in 2020 and could impact areas such as the carrying value of our Available for Sale Investments.

22. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no controlling party.

23. PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was £2,281,000 (2018: £11,757,000).