

28 September 2022

Cadence Minerals plc

Interim Results for the six months ended 30 June 2022

Cadence Minerals plc (AIM/AQX: KDNC) is pleased to announce its interim results for the six months ended 30 June 2022.

OVERVIEW

The Company's goals for the six months ended 30 June 2022 were first to vest our 27% in the Amapa Iron Ore Project ("Amapa Project"), secondly to progress the development of Amapa and advance the Pre-Feasibility Study ("PFS") and lastly to create capital growth in our passive private investments via a sale either in cash or a swap into liquid equity. I am pleased to report the Company was successful in all of the above goals.

The first goal was met in the first quarter of this year. After successfully reaching an agreement to vest its 20% at the end of December 2021, Cadence increased its stake in the Amapa Project to 27% in March 2022; the consideration for the additional 7% was US\$3.5 million. The funding was used to achieve our second goal, which was to advance the PFS. Although PFS work commenced in 2021, the March investment fully funded the remainder of the PFS study. The current expectation is that in Q4, we will publish an updated Mineral Resource Estimate ("MRE), followed by an Ore Reserve Estimate ("ORE") and, finally, the publication of the PFS.

The final goal was achieved via two asset sales; firstly, our 31.5% interests in Lithium Technology Pty Ltd and Lithium Supplies Pty Ltd ("LT and LS") were sold to Evergreen Lithium and secondly, our 30% interest in licenses within the Yangibana Rare Earth Project ("Yangibana Project") were sold to owner/operator Hastings Technology Metals. In both cases, Cadence agreed to vend these assets for equity in companies that are either listed or are expected to be listed.

Cadence has invested approximately £1.7 million in these assets, and our sale price into the equity of the two public companies was the equivalent of £7.4 million, representing a 335% cumulative return on our investments. The Yangibana sale is not reflected in the interim financial statements as it has not yet been completed. However, we expect that both the Yangibana Project transactions and the IPO of Evergreen Lithium will complete this year, hopefully further increasing our returns.

In contrast to these accomplishments, the macroeconomic environment has been generally negative. This has been dominated by the war in Ukraine and the devastating humanitarian consequences that have followed. The European war is the most serious crisis in decades, and food security and energy needs have emerged as significant concerns. We now live in a world of increased macro volatility, with central banks battling a problematic trade-off between soaring inflation and managing a fragile economic recovery in the aftermath of the COVID-19 pandemic.

Despite this challenging backdrop, the lithium and rare earth sectors have remained positive, with pricing in both products remaining robust. This demand continues to be driven by the electrification of our transport systems and the continued undersupply of feedstock. Despite some commentators suggesting otherwise, the oversupply of lithium is not imminent; we still see a market deficit going forward for the same structural reasons that we saw in 2018 when some of the same market commentators forecasted an oversupply of feedstock.

Within the iron ore market, we have seen the impacts of a global slowdown, with the 62% Fe Platts index dropping from US\$125 per dry metric tonne ("dmt") to circa US\$ 100 / dmt. Both short and longer-term prospects for iron ore are driven by China, given the nation is the world's biggest steel producer and currently buys about 70% of global seaborne iron ore. As policy support gains traction, we expect China to emerge as a source of stability for iron ore demand. This is contingent on Beijing implementing successful and timely stimulus measures, limited COVID lockdowns, and a shallow global slowdown that limits monetary tightening.

The overall negative macro environment weighed down on our public portfolio, with the AIM Basic Resources Index down some 30% over the period and European Metals Holdings ("EMH"), our largest public equity position, decreasing in value by some 47% during the reporting period.

We are cautiously optimistic despite the macroeconomic headwinds. Recent indications point to a recovery in China's growth momentum in the second half of the year, with cities reopening and government policy stimulus helping. In mined commodity markets, supply and demand are generally tight, and prices appear well supported. The transition to net zero carbon emissions will continue to open up investment opportunities in companies that serve the associated supply chains.

As outlined in our annual report and accounts, Cadence operates an investment strategy that includes investments in private projects via a private equity model and investments in public equity. In both investment classes, we take either an active or passive role. We have reported on each category below.

PRIVATE INVESTMENTS, ACTIVE

The Amapa Iron Ore Project, Brazil

Interest – 27% at 30/06/2022

The Amapa Project is a large-scale iron open pit ore mine with associated rail, port and beneficiation facilities that 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 Amapa Project at US\$462m (100% US \$660m).

In 2019 Cadence entered into a binding investment agreement to invest in and acquire up to 27% in the Amapa iron ore mine, beneficiation plant, railway and private port owned by DEV ("The Agreement"). The Agreement also gave Cadence a first right of refusal to increase its stake to 49%. To acquire its 27% interest, Cadence invested 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 was US\$2.5 million. The second stage was completed in March 2022 for a further 7% of the JV for a consideration of US\$3.5 million.

During the reporting period, the two key operational priorities were:

1. Progressing the permitting pathway, including the regularisation of the mining concessions, tailing storage facilities and the environmental permits.
2. Advancing the PFS, which commenced in 2021, and progressed in earnest once the second stage funding from Cadence vested.

At the time of writing, the PFS is progressing well with all the mineral processing and logistic studies completed and costed. The updated MRE and ORE are both due for completion in October 2022.

The PFS contemplates refurbishing and rehabilitating the existing port, rail and plant with modifications being made to the beneficiation plant to achieve a larger portion of 65% iron concentrate (4.9 Mt). The PFS is based on producing 5.3 Mt of iron ore concentrate per annum. The PFS, once complete, will outline more fully the development timelines and capital required to achieve the stated project aims. After the publication of an economic PFS, we expect DEV will seek to commission a Definitive Study ("DFS"). The DFS is required to seek project debt and equity finance, which will be sought once the DFS is complete.

PRIVATE INVESTMENTS, PASSIVE

Evergreen Lithium Limited

Interest – 13.16% at 30/06/2022

During the reporting period, Cadence and the shareholders of LT and LS completed the sale of 100% of LT and LS to Evergreen PTY Ltd ("Evergreen"). Evergreen is an unlisted public company in Australia that has been incorporated explicitly to acquire lithium assets. The acquisition of LT and LS is its first acquisition. Evergreen raised A\$ 6 million to pursue this strategy and now plans to list on the Australian Stock Exchange.

The consideration for LT and LS is up to A\$ 21.05 million (£12.79 million). Cadence had 31.5% of LT and LS and will receive up to A\$ 6.63 million (£4.02 million). The initial consideration that has been paid is A\$3.16 million (£1.92 million) in Evergreen shares, or 15,830,136 shares at A\$0.20 per share, representing 13.16% of Evergreen.

Subject to performance milestones being achieved (found [here](#)), an additional A\$3.47 million (£2.10 million) will be paid in Evergreen shares. If the performance targets are met, the total consideration for Cadence's equity stake in LT and LS would be A\$6.63 million (£3.80 million).

As a result of the acquisition, Evergreen, through its subsidiaries, are the holder of two exploration licenses in the Northern Territory, one granted and one in the application phase. LT and LS further hold seven exploration license applications in Argentina.

All of the licenses and applications target potential hard rock lithium deposits. The most significant of these is the Litchfield lithium prospect, which is contiguous to Core Lithium's (ASX: CXO) strategic Finnis Lithium Project (JORC compliant ore reserves: 7.4Mt @ 1.3% Li2O). Evergreen has committed to spending at least A\$4 million on the exploration of Litchfield during the three years post the completion of the sale.

Cadence's total investment in the LT & LS was £0.81 million. The Company has received £1.92 million as an initial consideration and, subject to project milestones, will receive a further £2.1 million. This represents a 159% return on the initial consideration and a 395% return on the cumulative consideration.

Yangibana Project, Australia

Interest – 30% at 30/06/2022

The Yangibana Project is a significant Australian Rare Earths Project, containing substantial Neodymium and Praseodymium resources. The Yangibana Project currently covers approximately 650 square kilometres containing some 9 Mining Leases, 2 Prospecting Licenses and 19 Exploration Licenses. Cadence holds a 30% interest in 3 Mining Leases and 6 Exploration licenses. These tenements contain 0.70 million tonnes of Ore Reserves, which can increase the expected mine life of the Yangibana Project by approximately one year to a total of 16 years.

In June 2022, Cadence entered into a binding agreement to sell its working interest in the leases to Hastings Technology Metals (ASX: HAS) ("Hastings"), the current owner and operator of the Yangibana Project.

The interests will be sold for A\$9.0 million (£5.45 million) to be settled by the issue of fully paid ordinary shares in Hastings at a price to be determined based on 30 days VWAP before completion, which is set at six months from the date of signing of this agreement.

Hastings has commenced site construction and is planning to begin commissioning the beneficiation plant in late 2023, delivering maiden production to key customers in 2024.

In February of this year, Hastings published a revised NPV calculation, which increased the NPV by 84% to A\$1 billion. Hastings's current market capitalisation is circa A\$ 415 million. Also, in February, the Australian Government's Northern Australia Infrastructure Facility (NAIF) approved a \$140 million loan facility to Hastings and Yangibana, making it the first Australian rare earth project to receive NAIF funding.

Cadence's total investment in the Leases was £0.90 million. Subject to the completion of the sale, we will receive approximately £5.45 million in Hasting shares, representing a 502% return on our investment.

Sonora Lithium Project, Mexico

Interest – 30% at 30/06/2022

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 Sonora Lithium Project consists of ten contiguous concessions covering 97,389 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned, as of the date, 100% by subsidiaries of Gangfeng Lithium Co., Ltd ("Gangfeng"). El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by Mexalit S.A. de C.V. ("Mexalit"), which is owned 70% by Gangfeng and 30% by Cadence.

The Sonora Project holds one of the world's largest lithium resources and benefits from being both high-grade and scalable. The current lithium resources and reserves for the Sonora Lithium Project and the amounts attributable to Cadence are available on our website here:

<https://www.cadenceminerals.com/projects/sonora-lithium-project/>.

A feasibility study report was published in January 2018. The report estimated a pre-tax project net present value of US\$1.253 billion at an 8% discount rate, an Internal Rate of Return of 26.1% and Life of Mine operating costs of US\$3,910/t of lithium carbonate. **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, ceasing at the end of the mine life in year 19.**

In 2021, Mexican politicians from the MORENA party tabled a draught bill to reform Mexico's energy sector, including statements that lithium would be included among the minerals considered strategic for the energy transition and that no new concessions for lithium exploitation by private companies could be granted. Subsequent to the year-end, the Mexican senate elevated lithium deposits to the category of "strategic minerals", declaring lithium's exploration, exploitation, and use as the state's exclusive right.

We are constantly examining possible legislative changes, and Gangfeng is ensuring that the mineral concessions remain legitimate. It is our current view that the Decree passed by the senate only impacts licenses, concessions, or contracts to be granted, NOT already those already granted, as is the case for the Sonora Lithium Project. Therefore, at this point, we do not believe there is a material impact on our joint venture areas.

PUBLIC EQUITY

The public equity investment segment includes active and passive investments as part of our trading portfolio. The trading portfolio consists of investments in listed mining entities that the board believes possess attractive underlying assets. The focus is to invest in mining companies that are significantly undervalued by the market and where there is substantial upside potential through exploration success and/or the development of mining projects for commercial production. Ultimately, the aim is to make capital gains in the short to medium term. Investments are considered individually based on various criteria and are typically traded on the TSX, ASX, AIM or LSE.

During the period, our public equity investments generated an unrealised loss of £5.26 million (6 months ended 30 June 2021: a profit of £3.12 million) and a realised gain of £1.11 million (6 months ended 30 June 2021: £0.42 million). The majority of these profits were derived from the sale of European Metals Holdings shares. The total return on investment for the Cadence equity portfolio as of 28 September 2022 was 407%, or £9.95 million.

As of 30 June 2022, our public equity stakes consisted of the following:

Company	Business Summary	30-Jun-22 £,000	31-Dec-21 £,000	30-Jun-21 £,000	31-Dec-20 £,000
European Metals Holding Ltd	Lithium mine development	5,357	11,287	14,180	13,426
Charger Metals NL	Lithium exploration	196	342	109	-
Macarthur Minerals Ltd	Iron Ore mine development	103	181	327	329
Eagle Mountain Mining Ltd	Copper exploration	47	122	153	-
Mont-Royal Resources Ltd	Gold and Copper exploration	39	35	-	-
Celsius Resources Ltd	Gold and Copper exploration	-	-	103	-
Miscellaneous	Various	5	7	6	6
Total		5,747	11,974	14,878	13,761

FINANCIAL RESULTS:

During the period, the Group made a loss before taxation of £5.05 million (6 months ended 30 June 2021: profit of £2.84 million, year ended 31 December 2021: loss of £0.14 million). There was a weighted basic loss per share of 3.136p (30 June 2021: profit 2.009p, 31 December 2021: loss 0.102p). During the second half of the year, the Directors expect the results to reflect the approximately £4.2m profit from the sale of the Group's Yangibana Joint Venture Interest.

The total assets of the Group decreased from £23.01 million at 31 December 2021 to £21.93 million. Of this amount, the decrease of £6.23 million represents the market value of our current investments at the period end, plus there was an increase in our non-current investments of £3.30m.

During the period our net cash outflow from operating activities was £1.65 million, gross proceeds of £4.9m were raised through the issue of new shares and our net cash position ended the period up £1.66 million at £1.99 million.

Kiran Morzaria

Director

28 September 2022

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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CADENCE MINERALS PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022

	Unaudited	Unaudited	Audited
	Period ended	Period ended	Year ended
	30 June	30 June	31 December
	2022	2021	2021
<i>Notes</i>	£'000	£'000	£'000
Income			
Unrealised (loss)/profit on financial investments	(5,259)	3,116	577
Realised profit on financial investments	1,110	423	593
	(4,149)	3,539	1,170
Share-based payments	-	(197)	(197)
Other administrative expenses	(906)	(505)	(1,604)
Total administrative expenses	(906)	(702)	(1,801)
Operating (loss)/profit	(5,055)	2,837	(631)
Finance income	-	29	35
Finance cost	-	(4)	(3)
Foreign exchange gains/(losses)	10	(21)	455
(Loss)/profit before taxation	(5,045)	2,841	(144)
Taxation	-	-	-
(Loss)/profit attributable to the equity holders of the Company	(5,045)	2,841	(144)
Total comprehensive (loss)/profit for the period, attributable to the equity holders of the Company	(5,045)	2,841	(144)
Earnings per ordinary share			
Basic (pence per share)	3 (3.136)	2.009	(0.102)
Diluted (pence per share)	3 n/a	1.899	n/a

CADENCE MINERALS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

	Share capital	Share premium account	Share-based payment reserve	Investment in own shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	1,896	33,159	39	-	(13,001)	22,093
Share based payments	-	-	197	-	-	197
Transfer on exercise of options	-	-	(9)	-	9	-
Issue of share capital	7	50	-	-	-	57
Costs of share issue	-	(1)	-	-	-	(1)
Transactions with owners	7	49	188	-	9	253
Profit for the period	-	-	-	-	2,841	2,841
Total comprehensive profit for the period	-	-	-	-	2,841	2,841
Balance at 30 June 2021 (unaudited)	1,903	33,208	227	-	(10,151)	25,187
Payment made in warrants	-	-	22	-	-	22
Adjustment for shares held in Trust	-	-	-	(70)	-	(70)
Costs of share issue	-	(1)	-	-	-	(1)
Transactions with owners	-	(1)	22	(70)	-	(49)
Loss for the period	-	-	-	-	(2,985)	(2,985)
Total comprehensive loss for the period	-	-	-	-	(2,985)	(2,985)
Balance at 31 December 2021	1,903	33,207	249	(70)	(13,136)	22,153
Transfer on exercise of warrants	-	-	(10)	-	10	-
Issue of share capital	241	4,670	-	-	-	4,911
Issue of shares held in Trust	-	111	-	6	-	117
Costs of share issue	-	(376)	-	-	-	(376)
Transactions with owners	241	4,405	(10)	6	10	4,652
Loss for the period	-	-	-	-	(5,045)	(5,045)
Total comprehensive loss for the period	-	-	-	-	(5,045)	(5,045)
Balance at 30 June 2022 (unaudited)	2,144	37,612	239	(64)	(18,171)	21,760

CADENCE MINERALS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2022	2021	2021
<i>Notes</i>	£'000	£'000	£'000
Assets			
Non-current			
Financial Assets	<u>8,963</u>	<u>3,203</u>	<u>5,660</u>
	8,963	3,203	5,660
Current assets			
Trade and other receivables	5,222	5,901	5,048
Financial Assets	5,747	14,878	11,974
Cash and cash equivalents	<u>1,994</u>	<u>1,387</u>	<u>324</u>
Total current assets	12,963	22,166	17,346
Total assets	<u><u>21,926</u></u>	<u><u>25,369</u></u>	<u><u>23,006</u></u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	<u>166</u>	<u>182</u>	<u>853</u>
Total current liabilities	166	182	853
Equity			
Share capital	4 2,144	1,903	1,903
Share premium	37,612	33,208	33,207
Share based payment reserve	239	227	249
Investment in own shares	(64)	-	(70)
Retained earnings	<u>(18,171)</u>	<u>(10,151)</u>	<u>(13,136)</u>
Equity attributable to equity holders of the Company	21,760	25,187	22,153
Total equity and liabilities	<u><u>21,926</u></u>	<u><u>25,369</u></u>	<u><u>23,006</u></u>

CADENCE MINERALS PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 30 JUNE 2022

	Unaudited Period ended 30 June 2022 £'000	Unaudited Period ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Cash flows from operating activities			
Operating (loss)/profit	(5,055)	2,837	(631)
Net realised/unrealised loss/(profit) on financial investments	4,149	(3,539)	(1,170)
Equity settled share-based payments	-	197	197
Adjustment for issue of own shares	117	-	(70)
Payments made through issue of warrants	-	-	22
(Increase)/decrease in trade and other receivables	(170)	(536)	346
(Decrease)/increase in trade and other payables	(687)	(113)	555
Net cash outflow from operating activities	<u>(1,646)</u>	<u>(1,154)</u>	<u>(751)</u>
Taxation	-	-	-
Cash flows from investing activities			
Payments for current financial investments	(176)	(473)	(830)
Receipts on sale of current investments	1,256	2,895	3,787
Payments for non-current financial investments	(2,305)	(318)	(2,775)
Net cash (outflow)/inflow from investing activities	<u>(1,225)</u>	<u>2,104</u>	<u>182</u>
Cash flows from financing activities			
Proceeds from issue of share capital	4,911	57	57
Share issue costs	(376)	(1)	(2)
Net loan repayments	-	(219)	(220)
Finance cost	-	(3)	(3)
Net cash inflow/(outflow) from financing activities	<u>4,535</u>	<u>(166)</u>	<u>(168)</u>
Net increase/(decrease) in cash and cash equivalents	1,664	784	(737)
Foreign exchange movements on cash and cash equivalents	6	7	465
Cash and cash equivalents at beginning of period	<u>324</u>	<u>596</u>	<u>596</u>
Cash and cash equivalents at end of period	<u>1,994</u>	<u>1,387</u>	<u>324</u>

**NOTES TO THE INTERIM REPORT
FOR THE PERIOD ENDED 30 JUNE 2022**

1 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial information set out in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified.

The principal accounting policies of the Group are consistent with those detailed in the 31 December 2021 financial statements, which are prepared under the historical cost convention and in accordance with UK adopted International Accounting Standards (IAS).

GOING CONCERN

The Directors have prepared cash flow forecasts for the period ending 30 September 2023. The forecasts demonstrate that the Group has sufficient funds 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 accounts have been prepared on a going concern basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results

2 SEGMENTAL REPORTING

The Company operates a single primary activity to invest in businesses so as to generate a return for the shareholders.

3 EARNINGS PER SHARE

The calculation of the earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 (restated) £'000	Audited year ended 31 December 2021 £'000
Profit/(loss) on ordinary activities after tax (£'000)	<u>(5,045)</u>	<u>2,841</u>	<u>(144)</u>
Weighted average number of shares for calculating basic earnings per share	<u>167,656,144</u>	<u>148,420,359</u>	<u>148,535,664</u>
Less: shares held by the Employee Benefit Trust (weighted average)	<u>(6,804,309)</u>	<u>(7,020,000)</u>	<u>(7,020,000)</u>
Weighted average number of shares for calculating basic earnings per share	<u>160,851,835</u>	<u>141,400,359</u>	<u>141,515,664</u>
Share options and warrants exercisable	<u>8,562,500</u>	<u>8,198,405</u>	<u>8,998,405</u>
Weighted average number of shares for calculating diluted earnings per share	<u>176,218,644</u>	<u>149,598,764</u>	<u>150,514,069</u>
Basic (loss)/profit per share (pence)	<u>(3.136)</u>	<u>2.009</u>	<u>(0.102)</u>
Diluted profit per share (pence)	<u>n/a</u>	<u>1.899</u>	<u>n/a</u>

4 SHARE CAPITAL

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
Allotted, issued and fully paid			
172,719,813 ordinary shares of 1p (30 June 2021			
148,649,098 ordinary shares of 1p, 31 December 2021:	1,727	1,486	1,486
148,649,098 ordinary shares of 1p)			
173,619,050 deferred shares of 0.24p (30 June and 31			
December 2021: 173,619,050)	417	417	417
	2,144	1,903	1,903