RNS Number : 0498L
East Star Resources PLC
18 April 2024

18 April 2024

**East Star Resources PLC**

("**East Star**" or the "**Company**")

**Final Results for the 12 Months Ended 31 December 2023**

East Star Resources Plc (LSE:EST), the Kazakhstan focused copper exploration and resource development company, is pleased to present its annual financial results for the year ended 31 December 2023.

**Project Highlights**

***VMS Copper - Rudny Altai Belt***

- Announced in January 2023 the identification of a substantial copper-zinc-lead-deposit (the "Verkhuba Copper Deposit") and established an independent JORC-compliant Exploration Target of 19-23 Mt at 1.4-1.9% CuEq defined by extensive historical data and drilling
- Commenced diamond core drilling in August 2023 with results announced in November 2023 confirming the potential for open pit resource development
- Announced after year-end in March 2024 the commissioning of AMC Consultants to produce a maiden JORC Inferred Resource for the Verkhuba Deposit - publication due imminently
- Announced after year-end in April 2024 the initiation of a formal process including opening a data room for a potential joint venture, farm-out, or sale of the deposit

***Copper Porphyry - Balkash-Ili Volcanic Arc***

- Announced after year-end in January 2024 a grant of up to US$0.5 million under the 2024 BHP Xplor programme to initiate a copper porphyry exploration strategy in Kazakhstan
    - Awarded first copper porphyry exploration licence in February 2024 - 79 $km^2$ tenement with a 3km long silica lithocap located ~80km north of the large Aktogay open pit copper mine (~2.5Bt @ 0.39% Cu)
    - Awarded second copper porphyry exploration licence in March 2024 - 121 $km^2$ tenement, with a 6km long and 3km wide silica lithocap, located ~150km north of the large Kounrad open pit copper mine and smelter (~800Mt @ 0.62% Cu and up to 0.76g/t Au) Licence shows historical soil anomalism indicating its potential prospectivity for a copper porphyry deposit

***Sedimentary Copper***

- Announced after year-end in February 2024 a joint venture agreement with Getech Group Plc (AIM: GTC), a world-leading locator of subsurface resources, to explore for sediment-hosted copper deposits in Kazakhstan

**Corporate**

- Raised gross proceeds in October 2023 of £540,000 by way of a placing of ordinary shares at 1.5 pence per share primarily to advance the VMS copper project
- Chris van Wijk, a geologist who developed the porphyry exploration strategy with East Star, joined the Board in January 2024 and became Technical Director in February 2024

**Sandy Barblett, Non-Executive Chairman, commented:**

*"At the beginning of 2023 we had identified what we believed to be a substantial copper VMS deposit. Our teams undertook extensive fieldwork to corroborate historical data before drilling in the summer. By the end of the year, we had confirmed the Verkhuba Copper Deposit, which is located close to processing infrastructure, and its potential for open pit development. We are now on the cusp of delivering a maiden JORC Inferred Resource before drilling again this season as a precursor to an economic study to demonstrate the low-cost development potential.*

*As a company we have strategically focused our resources on expanding our exposure to copper including the establishment of*

*As a company we have strategically focused our resources on expanding our exposure to copper, including the establishment of three exploration strategies capable of discovering Tier 1 copper deposits. In support of the copper porphyry exploration strategy, East Star was one of only six companies from more than 500 applications to be awarded the BHP Xplor grant with two out of the six companies from the 2024 cohort being focussed on Kazakhstan.*

*The sedimentary copper exploration strategy with Getech conducting the initial targeting work in exchange for a 5% project interest also has the capability of discovering Tier 1 copper deposits. Global majors including Rio Tinto, First Quantum and BHP have already shown an interest in sedimentary copper exploration in Kazakhstan and this strategy plays well into Chris van Wijk's significant exploration experience, including as the former Principal Geologist in charge of sediment-hosted copper exploration for First Quantum.*

*East Star is now well and truly a copper focused company at a time of a global and dynamic shift in attention towards a metal which is essential for electrification.*

*I would like to congratulate Alex Walker and his team in Kazakhstan. While markets have been tough and other battery metals have been under pressure, they have skilfully skewed the portfolio towards a potentially highly rewarding copper strategy, with a near-term development opportunity in the Verkhuba Copper Deposit and exploration upside backed, in part, by a BHP Xplor grant."*

**East Star Resources PLC**
Alex Walker, Chief Executive Officer
Tel: +44 (0)20 7390 0234 (via Vigo Consulting)

**SI Capital (Corporate Broker)**
Nick Emerson
Tel: +44 (0)1483 413 500

**Peterhouse Capital Limited (Corporate Broker)**
Peter Greensmith
Tel: +44 (0) 20 7469 0930

**Vigo Consulting (Investor Relations)**
Ben Simons / Peter Jacob
Tel: +44 (0)20 7390 0234

**About East Star Resources PLC**

East Star Resources is focused on the discovery and development of strategic minerals required for the energy revolution. With eight licences covering >1,000 km² in three mineral rich districts of Kazakhstan, East Star is undertaking an intensive exploration programme, applying modern geophysics to discover minerals in levels that were not previously explored. East Star's most advanced project is a copper deposit on the world-class Rudny Altai VMS Belt where the Company is working towards the delivery of a JORC compliant open pit copper resource close to infrastructure, within trucking distance of third-party mills with excess capacity. East Star's management are based permanently on the ground, supported by local expertise, a joint venture with the state mining company on certain projects, and grant funding from BHP through the BHP Xplor programme for copper porphyry exploration.

**Visit our website:**
[www.eaststarplc.com](www.eaststarplc.com)

**Follow us on social media:**
LinkedIn: https://www.linkedin.com/company/east-star-resources/

X (formerly Twitter): https://twitter.com/EastStar_PLC

**Subscribe to our email alert service to be notified whenever East Star releases news:**

www.eaststarplc.com/newsalerts

**The person who arranged for the release of this announcement was Alex Walker, CEO of the Company.**

This announcement contains inside information for the purposes of Article 7 of Regulation 2014/596/EU which is part of domestic UK law pursuant to the Market Abuse (Amendment) (EU Exit) Regulations (SI 2019/310) ("UK MAR"). Upon the publication of this announcement, this inside information (as defined in UK MAR) is now considered to be in the public domain.

**CHAIRMAN'S STATEMENT**

**Introduction**

I am pleased to present the annual financial results for East Star Resources PLC (the "Company" or "East Star") for the period ended 31 December 2023.

At the beginning of the year, we had identified what we believed to be a substantial copper VMS deposit. Our teams undertook extensive fieldwork to corroborate historical data before drilling in the summer. By the end of the year, we had confirmed the Verkhuba Copper Deposit, which is located close to processing infrastructure, and its potential for open pit development. East Star is now well and truly a copper focused company at a time of a global and dynamic shift in attention towards a metal which is essential for electrification.

**Review of Operations**

**Copper**

***VMS - Rudny Altai Belt***

In January 2023, East Star announced the identification of a substantial copper-zinc-lead deposit located within the 100% owned RA3 licence, centrally located in the world-class Rudny Altai VMS belt. The newly identified polymetallic deposit known as the Verkhuba Copper Deposit is within the greater Verkhuba Ore District on East Star's licences which includes other high priority HEM anomalies.

East Star commissioned leading resource advisors AMC Consultants to determine an independent JORC-compliant Exploration Target for the Verkhuba Deposit. This work resulted in March 2023 in the generation of an Exploration Target of 19-23 Mt at 1.0-1.4% Cu and 1.0-1.4% Zn (1.4-1.9% CuEq), defined by 97 drill holes comprising 42,178 m of historical diamond core drilling, reviewed by the East Star technical team over the preceding 12 months.

In July 2023, we began to prepare the site for our own drilling. Our field teams undertook an extensive geological traverse over the project area, mapping more than 70 historical collar locations and copper outcrops.

During August 2023, we commenced diamond core drilling at the Verkhuba Copper Deposit. This initial programme was aimed, amongst other things, at twinning existing boreholes with identified strong copper mineralisation.

By November 2023, following assay results, East Star was able to confirm the presence of the massive and disseminated sulphides containing high-grade copper We with 62 samples contained grades above the 1% Cu and 1% Zn detection limits including:

VU_23_DD_001

- 2.9m @ 2.08% Cu from 19.4m,
- 15.0m @ 1.56% CuEq from 27.4m, and
- 6.2m @ 1.11% CuEq from 56.4m

VU_23_DD_002

- 11.8m @ 1.41% CuEq from 171.0m, and
- 10.3m @ 1.77% CuEq from 186.8m

These initial results demonstrated that the Verkhuba Copper Deposit contained relatively shallow high-grade copper and provided further credibility to the historical data.

Following further review of the data, East Star confirmed in December 2023 the potential for open pit resource development. We were delighted that we could definitively demonstrate that the Verkhuba Copper Deposit has multiple copper-rich ore grade intervals at mineable depths. As announced, the grades were relatively consistent with the 1.4 - 1.8% copper grade range derived from the 5-6Mt open-pit resource calculated from the independent resource model.

**Rare Earths**

***East Kostanay***

In April 2023, we announced assay results from initial drilling in November 2022 to test the Talairyk project for Rare Earth Element ("REE") concentrations. The results demonstrated high grade intersections across the tested area and broad intersections in every drill hole, validating historical data and providing a strong indication of an REE deposit of consequential size and grade.

Eight samples were sent for five-stage sequential leach test work to provide an initial indication as to the leachability of the REEs from the clays. Sequential leach testing clearly demonstrated that a majority of REEs were liberated from primary minerals during the weathering process and were now associated with other mineral phases. Through this work, our understanding of the minerology and potential for economic extraction of REEs from the Talairyk deposit improved; however, given our portfolio focus on copper and the near-term development opportunity, we took the decision to rationalise the East Kostanay licences, relinquishing the Talairyk 1 area and commencing the process of ceasing the joint venture with Phoenix Mining on the Talairyk area.

**Gold**

***Chu-Ili Orogenic Gold Belt***

In February 2023, we announced results from diamond core drilling undertaken in 2022 on the Apmintas Licence. The results demonstrated gold bearing systems in all three target areas. Eshkilitau II showed potential for an extensive mineralised system with a strike of more than 1 km along a fault zone. High-grade intersections at Southern Shabdar (32.15 g/t Au) and Eshkilitau (14.01 g/t Au) demonstrated the existence of high-grade zones within the mineralised systems while gold occurrences mapped over 10 km of the Eshkilitau trend demonstrated the exploration upside within the region.

In light of our copper focus, we have rationalised the Chu-Ili orogenic licence areas to concentrate on the extensively mineralised Eshkilitau fault within the Apmintas Licence, while commencing the process to relinquish the Dalny Licence and the less prospective areas of the Apmintas Licence.

**Corporate Activities**

In October 2023, we announced the Company had raised gross proceeds of £546,000 by way of a placing of 36,400,000 new ordinary shares at 1.5 pence per share. Alongside other existing and new investors, our Chief Executive Officer and largest shareholder both participated. The funds raised have been put towards advancing the potentially game-changing copper deposit at Verkhuba as well as preparing a number of other targets for drill-ready status this season such as Talovskoye. We are grateful for those investors who supported East Star and look forward to your Company soon being underpinned by a JORC Inferred copper resource with near-term development potential and exploration upside across three copper exploration strategies.

**Post Year-End Events**

**Copper**

***Grant from BHP Xplor for Copper Porphyry Exploration - Balkash-Ili Magmatic Arc***

We were delighted to announce in January 2023 that we had been selected to receive a grant of up to US$500,000 under the 2024 BHP Xplor programme to initiate a copper porphyry exploration strategy in Kazakhstan. We are extremely proud that BHP has chosen to work with East Star and provide non-dilutive grant funding to look for major new copper porphyry deposits in the region. Porphyry deposits are the primary deposit style for copper production in the world and Kazakhstan is host to several exceptional but significantly underexplored regions that contain world-class copper porphyry mines.

In February 2024, we were awarded our first copper porphyry exploration licence - a 79 $km^2$ tenement with a 3km long silica lithocap located ~80km north of the large Aktogay open pit copper mine (~2.5Bt @ 0.39% Cu).

In March 2024,we were awarded a second copper porphyry exploration licence - a 121 $km^2$ tenement with a 6km long and 3km wide silica lithocap, located ~150km north of the large Kounrad open pit copper mine and smelter (~800Mt @ 0.62% Cu and up to 0.76g/t Au). The licence shows historical soil anomalism indicating its potential prospectivity for a copper porphyry deposit.

***Sediment-Hosted Copper Exploration JV with Getech***

In February 2024, we announced that we had entered into a joint venture agreement with Getech Group PLC (AIM: GTC) ("Getech"), a world-leading locator of subsurface resources, to explore for sediment-hosted copper deposits in Kazakhstan. The JV will be conducted through a wholly owned East Star subsidiary established specifically for this purpose. At no upfront cost to East Star, this play-type adds a third geological strand to East Star's copper exploration strategy in addition to VMS and porphyry. We look forward to working with Getech to apply its unparallelled database and modern geoscientific expertise to underexplored basins in Kazakhstan.

***Verkhuba Copper Deposit Update***

In March 2024, we were pleased to announce that we have instructed independent experts AMC Consultants to produce a maiden JORC Inferred Mineral Resource Estimate for the Verkhuba Copper Deposit, the publication of which is due imminently.

In April 2024 we announced that because of interest in the Verkhuba Copper Deposit having been received from several companies, we have initiated a formal process including the opening of a data room for a potential joint venture, farm-out, or sale of the deposit. The process is expected to be finalised in June and although there can be no certainty that a transaction will be concluded, the Company is confident of receiving multiple commercial offers.

**Director Appointment**

Alongside the BHP Xplor grant, we were pleased to announce the appointment of Chris van Wijk initially as a Non-Executive Director and subsequently in February 2024 as the Technical Director of the Company. Chris is an experienced geologist who specialises in project evaluation and project generation and developed the porphyry exploration strategy with East Star. He brings a wealth of relevant experience, including base metal and gold exploration in Africa, Europe, the Americas, and Australia as well as joint venture management and project evaluation for major mining companies including BHP, IAMGOLD, First Quantum Minerals and Fortescue Metals Group. Chris' technical expertise is a valuable addition to our Board and exploration portfolio. He brings outstanding geological pedigree, particularly with regard to sediment-hosted copper and porphyry exploration which, when paired with East Star's proven ability to efficiently and effectively execute exploration in Kazakhstan, will take the Company to the next level.

**Key Financial Indicators**

- Cash and cash equivalents at Year end were £635,000
- Loss before taxation for the Year was £1,528,000
- The Group held net assets at Year end of £2,813,000

**Summary**

I would like to congratulate Alex Walker and his team in Kazakhstan. While markets have been tough and other battery metals have been under pressure, they have skilfully skewed the portfolio towards a potentially highly rewarding copper strategy, with near-term development potential at Verkhuba and exploration upside backed, in part, by a BHP Xplor grant.

This is an extraordinary yet largely unnoticed position to be in. We are now on the cusp of delivering a maiden JORC Inferred resource before drilling again this season as a precursor to conducting an economic study to demonstrate the low-cost development potential of copper which has now entered a significant structural deficit that is expected to continue for many years to come.

Forthcoming drilling will focus on further resource definition to convert the open pit area at the Verkhuba Copper Deposit to JORC Indicated status as well as further testing the continuity of the underground ore bodies to assess development potential. A very exciting field season is soon to get underway.

**Sandy Barblett**

Non-Executive Chairman

17 April 2024

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

| | Note | Audited Year ended 31 December 2023 £'000 | Audited Period ended 31 December 2022 £'000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | | - | - |
| Administrative expenses | 4 | (710) | (1,131) |
| Share based payments | 19 | (39) | (244) |
| Impairment charge | 10 & 11 | (1,058) | - |
| Other income | | 279 | - |
| **Operating loss** | | **(1,528)** | **(1,375)** |
| Reverse acquisition expense | | - | (1,730) |
| **Loss before taxation** | | **(1,528)** | **(3,105)** |
| Taxation on loss or ordinary activities | 7 | - | - |
| **Loss for the year from continuing operations** | | **(1,528)** | **(3,105)** |
| Other comprehensive income | 8 | (35) | 70 |
| **Total comprehensive loss for the year attributable to shareholders from continuing operations** | | **(1,563)** | **(3,035)** |

| | | | |
|---|---|---|---|
| Basic & dilutive earnings per share - pence | 9 | (0.81) | (1.72) |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

| | Note | Audited As at 31 December 2023 £'000 | Audited As at 31 December 2022 £'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Exploration assets | 10 | 2,149 | 2,268 |
| Earn in advance (financial asset) | 11 | - | 57 |
| Property, plant and equipment | 12 | 17 | 25 |
| **TOTAL NON-CURRENT ASSETS** | | **2,166** | **2,350** |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 14 | 635 | 1,456 |
| Trade and other receivables | 16 | 127 | 133 |
| **TOTAL CURRENT ASSETS** | | 762 | 1,589 |
| **TOTAL ASSETS** | | **2,928** | **3,939** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 115 | 127 |
| **TOTAL CURRENT LIABILITIES** | | 115 | 127 |
| **TOTAL LIABILITIES** | | **115** | **127** |
| **NET ASSETS** | | **2,813** | **3,812** |
| | | | |
| **EQUITY** | | | |
| Share capital | 18 | 2,187 | 1,823 |
| Share premium | 18 | 6,052 | 5,891 |
| Share capital to issue | 20 | 3,750 | 3,750 |
| Share based payments reserve | 19 | 307 | 268 |
| Foreign exchange reserve | | 31 | 66 |
| Reverse acquisition reserve | 20 | (4,795) | (4,795) |
| Retained earnings | | (4,719) | (3,191) |
| **TOTAL EQUITY** | | **2,813** | **3,812** |

**Non-controlling interest of £29 exists with business partner (Tau Ken Samruk) not stated above*

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account has not been presented for the Company. The Company's total comprehensive loss for the financial period was £488,178 (2022: £971,025).

The financial statements were approved and authorised for issue by the board on 17 April 2024 and were signed on its behalf by:

Non-Executive Chairman - Sandy Barblett

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

**COMPANY STATMEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

| | Note | Audited As at 31 December 2023 £'000 | Audited As at 31 December 2022 £'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment in subsidiary | 13 | 6,268 | 6,268 |
| Intercompany receivables | 15 | 3,674 | 2,734 |
| **TOTAL NON-CURRENT ASSETS** | | 9,942 | 9,002 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 14 | 509 | 1,407 |
| Trade and other receivables | 16 | 47 | 16 |

| | | | |
|---|---|---|---|
| Trade and other receivables | 16 | 47 | 16 |
| **TOTAL CURRENT ASSETS** | | 556 | 1,423 |
| **TOTAL ASSETS** | | **10,498** | **10,425** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 82 | 85 |
| **TOTAL CURRENT LIABILITIES** | | 82 | 85 |
| **TOTAL LIABILITIES** | | **82** | **85** |
| **NET ASSETS** | | **10,416** | **10,340** |
| | | | |
| **EQUITY** | | | |
| Share capital | 18 | 2,187 | 1,823 |
| Share premium | 18 | 6,052 | 5,891 |
| Share capital to issue | 20 | 3,750 | 3,750 |
| Share based payments reserve | 19 | 307 | 268 |
| Retained Earnings | | (1,880) | (1,392) |
| **TOTAL EQUITY** | | **10,416** | **10,340** |

The financial statements were approved and authorised for issue by the board on 17 April 2024 and were signed on its behalf by:

Non-Executive Chairman - Sandy Barblett

The notes form an integral part of these consolidated financial statement.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2023**

| | Share Capital £'000 | Share Premium £'000 | Equity reserve £'000 | SBP reserve £'000 | Foreign exchange reserve £'000 | Revers acquisiti reserv £'00 |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2021** | 53 | 132 | 31 | - | (4) | |
| Loss for period | - | - | - | - | - | |
| Other comprehensive income | - | - | - | - | 70 | |
| **Total comprehensive income for year** | **-** | **-** | **-** | **-** | **70** | |
| **Transactions with owners in own capacity** | | | | | | |
| Recognition of PLC equity at acquisition date | 695 | 1,501 | - | 24 | - | 1,2 |
| Remove share capital of DVK | (53) | (132) | (31) | - | - | 2 |
| Issue of shares for acquisition of subsidiary | 504 | 2,014 | - | - | - | (6,26 |
| Issue of shares for placing | 624 | 2,494 | - | - | - | |
| Share issue costs | - | (118) | - | - | - | |
| Broker warrants issued | - | - | - | 132 | - | |
| Employee options issued | - | - | - | 112 | - | |
| Transactions with owners in own capacity | 1,770 | 5,759 | (31) | 268 | - | (4,79 |
| **Balance at 31 December 2022** | **1,823** | **5,891** | - | **268** | **66** | **(4,79** |
| Loss for period | - | - | - | - | - | |
| Other comprehensive income | - | - | - | - | (35) | |
| **Total comprehensive income for year** | **-** | **-** | **-** | **-** | **(35)** | |
| **Transactions with owners in own capacity** | | | | | | |
| Ordinary Shares issued in the period | 364 | 182 | - | - | - | |
| Share Issue Costs | - | (21) | - | - | - | |
| Share based payments | - | - | - | 39 | - | |
| Transactions with owners in own capacity | 364 | 161 | - | 39 | - | |
| **Balance at 31 December 2023** | **2,187** | **6,052** | **-** | **307** | **31** | **(4,79** |

**COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2023**

| | Share capital | Share premium | SBP reserve | Share capital to issue | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 30 November 2021** | **695** | **1,501** | **24** | **-** | **(421)** | **(1,799)** |
| Loss for period | - | - | - | - | (971) | (971) |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive income for year** | - | - | - | - | **(971)** | **(971)** |
| **Transactions with owners in own capacity** | | | | | | |
| Ordinary Shares issued in the period | 1,128 | 4,508 | - | - | - | 5,636 |
| Performance shares on acquisition | - | - | - | 3,750 | - | 3,750 |
| Advisor warrants issued | - | - | 132 | - | - | 132 |
| Employee options issued | - | - | 112 | - | - | 112 |
| Share Issue Costs | - | (118) | - | - | - | (118) |
| Transactions with owners in own capacity | 1,128 | 4,390 | 244 | 3,750 | - | 9,512 |
| **Balance at 31 December 2022** | **1,823** | **5,891** | **268** | **3,750** | **(1,392)** | **10,340** |
| Loss for period | - | - | - | - | (488) | (488) |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive income for year** | - | - | - | - | **(488)** | **(488)** |
| **Transactions with owners in own capacity** | | | | | | |
| Ordinary Shares issued in the period | 364 | 182 | - | - | - | 546 |
| Share Issue Costs | - | (21) | - | - | - | (21) |
| Share based payments | - | - | 39 | - | - | 39 |
| Transactions with owners in own capacity | 364 | 161 | 39 | - | - | 564 |
| **Balance at 31 December 2023** | **2,187** | **6,052** | **307** | **3,750** | **(1,880)** | **10,416** |

**CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Note | Year ended 31 December 2023 £'000 | Period ended 31 December 2022 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss before taxation for the financial year | | (1,528) | (3,105) |
| *Adjustments for:* | | | |
| Share based payments | 19 | 39 | 244 |
| Reverse acquisition share-based payment expense | | - | 1,730 |
| Settlement of fees through issue of equity | | - | 18 |
| Impairment charge on exploration assets* | | 887 | - |

| | | | |
|---|---|---|---|
| Impairment charge on exploration assets | | 887 | - |
| Foreign exchange movements | | 97 | 70 |
| Depreciation & amortization | | 10 | 9 |
| *Changes in working capital:* | | | |
| (Increase) / decrease in trade and other receivables | | 6 | 830 |
| Increase / (decrease) in trade and other payables | | (12) | 87 |
| **Net cash outflow from operating activities** | | **(501)** | **(117)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Investment in exploration assets | | (888) | (1,449) |
| Purchase of property, plant & equipment | | (2) | (9) |
| Cash acquired on acquisition of subsidiary | | - | 22 |
| **Net cash flow from investing activities** | | **(890)** | **(1,436)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from Issue of Shares | 18 | 546 | 3,100 |
| Share Issue Costs | 18 | (21) | (118) |
| **Net cash flow from financing activities** | | **525** | **2,982** |
| | | | |
| **Net increase in cash and cash equivalents** | | **(866)** | **1,429** |
| Cash and cash equivalents at beginning of the period | | 1,456 | 16 |
| Foreign exchange effect on cash balance | | 45 | 11 |
| **Cash and cash equivalents at end of the period** | 14 | **635** | **1,456** |

** Impairment charge is adjusted to reflect the true cash impact in the period and hence will not reconcile directly to the value in the Statement of Comprehensive Income.*

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

**COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Note | Year ended 31 December 2023 £'000 | Period ended 31 December 2022 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss for the financial year | | (488) | (971) |
| *Adjustments for:* | | | |
| Share based payments | 19 | 39 | 244 |
| Settlement of fees through issue of equity | | | 18 |
| Foreign exchange movements | | (1) | - |
| *Changes in working capital:* | | | |
| Decrease / (increase) in trade and other receivables | | (31) | 66 |
| (Decrease) in trade and other payables | | (2) | (53) |
| **Net cash outflow from operating activities** | | **(483)** | **(696)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Loans to subsidiaries | | (940) | (2,127) |
| **Net cash flow from investing activities** | | **(940)** | **(2,127)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from Issue of Shares | 18 | 546 | 3,100 |
| Share Issue Costs | 18 | (21) | (118) |
| **Net cash flow from financing activities** | | **525** | **2,982** |

| | | | |
|---|---|---|---|
| **Net increase in cash and cash equivalents** | | **(898)** | **159** |
| Cash and cash equivalents at beginning of the period | | 1,407 | 1,248 |
| **Cash and cash equivalents at end of the period** | 14 | **509** | **1,407** |

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

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

**1. General Information**

East Star Resources PLC was incorporated on 17 November 2020 in England and Wales and remains domiciled there with Registered Number 13025608 under the Companies Act 2006, under the name Cawmed Resources Limited. The Company subsequently changed its name to East Star Resources Limited on 27 January 2021 and on 3 March 2021 re-registered as a PLC.

The address of its registered office and principal place of business is Eccleston Yards, 25 Eccleston Place, London SW1W 9NF, United Kingdom.

The principal activity of the Company is to seek suitable investment opportunities primarily in the natural resources sector.

The Company originally listed on the London Stock Exchange ("LSE") on 4 May 2021. The Company was suspended from trading on 19 July 2021 whilst managing a reverse takeover transaction and was then re-admitted to trading on 10 January 2022. The Company successfully completed the acquisition of its Kazakhstan based subsidiary - "Discovery Ventures Kazakhstan Limited" on 10 January and since then has been increasing exploration operations within the region. The consolidated financial statements are presented for the Company and all of its subsidiaries ("the Group").

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS), International standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Boards (IASB) and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

**2. Accounting policies**

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

**2.1 Basis of preparation**

The consolidated and parent company financial statements ("financial statements") for the period ended 31 December 2023 have been prepared by East Star Resources PLC in accordance with UK-adopted International Accounting Standards ("IAS UK"). The Financial Statements have also been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency of the Company is Pounds Sterling (£) as this is the currency that finance was raised in.

The functional currency of its subsidiaries is the Kazakhstan Tenge. For all subsidiaries these are the currencies that mainly influence labour, material and other costs of providing services. However, the presentational currency for the subsidiaries is United States Dollar ($) as this is the currency that the subsidiaries are required to report to national mining authorities in.

The Group has chosen to present its consolidated financial statements in Pounds Sterling (£), as the Directors believe it is a more convenient presentational currency for users of the consolidated financial statements. Foreign operations are included in accordance with the policies set out below.

The accounting period for the Group covers the year ending on 31 December 2023 and is therefore not directly comparable to the prior period as this covered a 13 month period. The financial statements are presented in Pounds Sterling and rounded to the nearest thousand (£'000).

**Basis of measurement**
The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments - fair value through profit or loss
- Financial instruments - fair value through other comprehensive income
- Contingent consideration
- Investment property
- Revalued property, plant and equipment
- Net defined benefit liability
- Cash settled share-based payment liabilities

**Reverse acquisition accounting treatment**
During the last period East Star Resources PLC acquired the entire share capital of Discovery Ventures Kazakhstan Ltd. As East Star Resources ("accounting acquiree") was purely a cash shell at time of acquisition it did not constitute a business and therefore the acquisition was treated as a reverse acquisition of DVK ("accounting acquirer") and outside the scope of IFRS 3.

As a result of this comparatives of the consolidated financial statements have been prepared to reflect the consolidated results of the Group from acquisition date on 10 January 2022. The comparative consolidated period is the 12 month period ending 31 December 2022 and incorporates results from DVK for the entire period and results from East Star from acquisition date on 10 January 2022.

Critical accounting judgements and key sources of estimation uncertainty are disclosed in note 2.17.

**2.2 Going concern**

The Directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the

12 months from sign off of the annual report. Given its stage of development and lack of recurring revenues, in preparing these financial forecasts, the Directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control. The Directors have considered the sensitivity of the financial forecasts to changes in key assumptions, including, among others, potential cost overruns within committed spend and changes in exchange rates.

The Directors plan to raise further funds during 2024 and have reasonable expectations that sufficient cash will be raised to fund the planned operations of the Group for a period of at least 12 months from the date of approval of these financial statements. The funding requirement indicates that a material uncertainty exists which may cast significant doubt over the Group's and Company's ability to continue as a going concern, and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. This has been detailed in the auditors report.

After due consideration of these forecasts, current cash resources, including the sensitivity of key inputs, the Directors consider that the Group will have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report) and, for this reason, the financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

**2.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Per IFRS 10, control is achieved when the Company:

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

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

**2.4 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions. The Group holds the majority of group funds in Lloyds bank equivalent accounts through a forex platform (Alpha FX). Supplementary working capital funds are held in online banking platforms in the UK (Revolut) and physical banks in Kazakhstan.

**2.5 Equity**

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

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

Equity-settled share-based payments are credited to a share-based payment reserve as a component of equity until related options or warrants are exercised or lapse.

Retained losses includes all current and prior period results as disclosed in the income statement.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve except to the extent that the translation difference is allocated to non-controlling interests.

The reverse acquisition reserve was recognised during the formation of the Group when the legal acquiree was considered to be the accounting acquirer under the rules of IFRS 3. As the accounting acquiree was not a business under IFRS 3, a part of the transaction was outside the scope of IFRS 3. This resulted in the recognition of a 'reverse acquisition reserve' on consolidation and is set out in more detail in note 20.

Share capital to issue reserve relates to shares to be settled via the issue of the Company's shares at the year-end which meet the definition of equity per IAS 32 are classified as shares to be issue within equity and are held at fair value.

**2.6 Foreign currency translation**

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;

(ii) income and expenses for each income statement are translated at spot exchange rates (unless the spot is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in the Statement of Comprehensive Income and accumulated in the foreign exchange reserve in equity.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange reserve (attributed to non-controlling interests as appropriate).

**2.7 Financial instruments**

IFRS 9 requires an entity to address the classification, measurement and recognition of financial assets and liabilities.

a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other comprehensive income or through profit or loss);
- those to be measured at amortised cost; and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

b) Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Debt instruments*

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with any debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**2.8 Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

**2.9 Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**2.10 Property, plant and equipment**

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

When the Group acquires any plant and equipment it is stated in the accounts at its cost of acquisition less a provision.

Depreciation is charged to write off the costs less estimated residual value of plant and equipment on a straight basis over their estimated useful lives being:

- Plant and equipment 5-7 years
- Furniture and fittings 5-7 years
- Computer equipment 3 years

Estimated useful lives and residual values are reviewed each year and amended as required.

**2.11 Exploration and evaluation assets**

**2.11 Exploration and evaluation assets**

Intangible assets represent exploration and evaluation assets (IFRS 6 assets), being the cost of acquisition by the Group of rights, licences and know-how. Such expenditure requires the immediate write-off of exploration and development expenditure that the Directors do not consider to be supported by the existence of commercial reserves.

All costs associated with mineral exploration and investments, are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads and these assets are not amortised until technical feasibility and commercial viability is established. If an exploration project is successful, the related expenditures will be transferred to "mining assets" and amortised over the estimated life of the commercial ore reserves on a unit of production basis.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. When relevant, such assets shall be assessed for impairment, and any impairment loss recognised, before reclassification to "Mine development".

**2.12 Share based payments**

The Group has made awards of warrants and options on its unissued share capital to certain parties in return for services provided to the Group. The valuation of these warrants involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and interest rates. These assumptions have been integrated into the Black Scholes Option Pricing model and the Monte Carlo valuation model to derive a value for any share-based payments. These assumptions are described in more detail in the notes.

**2.13 Taxation**

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the group or parent company financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. As there is no reasonable expectation of future revenues to which tax losses could be applied no deferred tax asset has been recognised.

**2.14 Leases**

The Group recognises the guidelines set out in "IFRS 16 - Leases" and are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period. Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than £5k) are recognised on a straight-line basis as an expense in profit or loss. The short term lease exemption has been utilised by the Group in relation to property leases held in the Kazakhstan and the UK. These leases are on a rolling month-month basis and hence there is no long term commitment entered into and are also low-value assets.

**2.15 Contingent asset**

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets in these financial statements relate to VAT that is only offsetable against future revenue and hence these amounts are contingent on this occurrence and are classified as so.

**2.16 Other comprehensive income**

Gains or losses on the translation of currencies into the presentational currency are recognised as other comprehensive income in the Statement of Profit and Loss and Other Comprehensive Income and transferred to a separate foreign exchange reserve under equity.

**2.17 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

*Impairment of investments and loans to subsidiaries - Note 13 & 15*
The Group and the Company assess at each reporting date whether there is any objective evidence that investments in and loans to subsidiaries are impaired. The value of the Company's investment in DVK amounts to approx. £6.275 million and intercompany loans amount to approx. £3.674 million. To determine whether there is objective evidence of impairment, a considerable amount of estimation is required in assessing the ultimate realisation of these investments/receivables, including valuation, creditworthiness and future cashflows. As at the year end the Directors do not assess there to be any impairment of these amounts.

*Recoverable value of exploration assets - Note 10*
Costs capitalised in respect of the Group's mining assets are required to be assessed for impairment under the provisions of IFRS 6 (2023: approx. £2.149 million) Such an estimate requires the Group to exercise judgement in respect of the indicators of impairment and also in respect of inputs used in the models which are used to support the carrying value of the assets. Such inputs include estimates of mineral reserves, production profiles, commodity prices, capital expenditure, inflation rates, and pre-tax discount rates that reflect current market assessments of (a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted. Management have concluded that it is

which the future cash flow estimates have not been adjusted. Management have concluded that it is appropriate to process an impairment charge in the period in relation to exploration assets and can be further evidenced at note 10.

The Directors have made an assessment and concluded that it is appropriate to process impairment charges in the year specifically relating to licenses held within the joint venture agreement held with Phoenix Mining Limited in relation to the rare earths exploration. As this agreement has been terminated the Directors believe it necessary to impair the entirety of the investment and this charge can be seen in the statement of comprehensive income.

*<u>Share based payments - Note 19</u>*
The Group issues options and warrants to its employees, directors, investors and advisors. These are valued in accordance with IFRS 2 "Share-based payments" (2023: approx. £0.04 million). In calculating the related charge on issuing shares and warrants the Group will use a variety of estimates and judgements in respect of inputs used including share price volatility, risk free rate, and expected life. Changes to these inputs may impact the related charge.

In the period the Group implemented a long-term incentive program for employees which can be evidence further at note 19. These options have various vesting dates and conditions and have been valued using the Black-Scholes method to assign an appropriate value in the financial statements.

**2.18 New standards and interpretations not yet adopted**

At the date of approval 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:

| Standard | Effective date | Overview |
|---|---|---|
| Amendments to IAS 1<br><br>Classification of Liabilities as Current or Non-current | 1 January 2024 (early adoption permitted) | The standard has been amended to clarify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period.<br><br>In order to conclude a liability is non-current, the right to defer settlement of a liability for at least 12 months after the reporting date must exist as at the end of the reporting period.<br><br>The amendments also clarify that (for the purposes of classification as current or non-current), settlement is the transfer of cash, the entity's own equity instruments (except as described below), other assets or services. |
| Amendments to IAS 1<br><br>Non-current Liabilities with Covenants | 1 January 2024 (early adoption permitted) | The standard confirms that only those covenants with which an entity must comply on or before the end of the reporting period affect the classification of a liability as current or non-current. |
| Amendments to IFRS 16<br><br>Lease Liability in a Sale and Leaseback | 1 January 2024 (early adoption permitted) | The amendments address the accounting that should be applied by a seller-lessee in a sale and leaseback transaction when the leaseback contains variable lease payments, such as turnover rentals, that do not depend on an index or rate.<br><br>Specifically, they confirm that the 'lease payments' or the 'revised lease payments' arising from the leaseback arrangement are measured in such a way that no gain or loss is recognised on the right of use retained by the seller-lessee. |
| Amendments to IAS 7 and IFRS 7<br><br>Supplier Finance Arrangements | 1 January 2024 (early adoption permitted) | The amendments require an entity to disclose information about its supplier finance arrangements to enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. |
| Amendments to IAS 21 - Lack of Exchangeability | 1 January 2025 (early adoption permitted) | The amendments have been made to clarify:<br>- when a currency is exchangeable into another currency; and<br>- how a company estimates a spot rate when a currency lacks exchangeability. |

The effect of these amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

**2.19 New standards and interpretations adopted**

| Standard | Overview |
|---|---|
| IFRS 17 Insurance Contracts | IFRS 17 will replace IFRS 4 Insurance Contracts, a temporary standard which permits a variety of accounting practices for insurance contracts. |
| Amendments to IFRS 17 - Initial Application of IFRS 17 & IFRS 9<br>*Comparative Information* | Many insurance entities will now be applying both IFRS 17 and IFRS 9 for the first time in annual reporting periods beginning on or after 1 January 2023. |
| Amendments to IAS 1 and IFRS Practice Statement 2 - Making Materiality Judgements<br><br>*Disclosure of Accounting Policies* | The amendments to IAS 1 will require an entity to disclose material accounting policies. Accounting policy information is likely to be considered material if users need the disclosure to understand other material information in the accounts. |
| Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors | The amendments introduce a definition for accounting estimates which is 'monetary amounts |

| | |
|---|---|
| *Definition of Accounting Estimates* | in financial statements that are subject to measurement uncertainty'. Measurement uncertainty will arise when monetary amounts required to apply an accounting policy cannot be observed directly. In such cases, accounting estimates will need to be developed using judgements and assumptions. |
| Amendments to IAS 12 - Income Taxes<br><br>*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | This amendment to IAS 12 Income Taxes introduces an exception to the "initial recognition exemption" when the transaction gives rise to equal taxable and deductible temporary differences. |
| Amendments to IAS 12 - Income Taxes<br><br>*International Tax Reform - Pillar Two Model Rules* | This amendment to IAS 12 Income Taxes introduces disclosures to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. |

The effect of these amended Standards and Interpretations which are in issue have not had a material effect on the financial statements.

**3. Segmental analysis**

The Group manages its operations in two segments, being exploration activities in Kazakhstan and corporate functions in the United Kingdom. The results of these segments are regularly reviewed by the board as a basis for the allocation of resources, in conjunction with individual investment appraisals, and to assess their performance.

The Group generated no revenue during the year ended 31 December 2023 (2022: £0).

| | **United Kingdom** | **Kazakhstan** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Administrative expenses | (449) | (261) | (710) |
| Share based payments | (39) | - | (39) |
| Impairment charge | - | (1,058) | (1,058) |
| Other income | - | 279 | 279 |
| Operating loss from continued operations per reportable segment | **(488)** | **(1,040)** | **(1,528)** |
| | | | |
| Reportable segment assets | 557 | 2,372 | 2,929 |
| Reportable segment liabilities | (83) | (33) | (116) |
| Total | **474** | **2,339** | **2,813** |

Segment assets and liabilities are allocated based on geographical location.

**4. Administrative expenses**

Administrative expenses for the Group can further be broken down as per below:

| | **Year ended 31 Dec 2023** | **Period ended 31 Dec 2022** |
|---|---|---|
| | **£'000** | **£'000** |
| Professional fees | (189) | (340) |
| Directors' fees* | (161) | (335) |
| Salaries & wages | (55) | (89) |
| Geological consulting and exploration costs | (111) | - |
| Insurance | (7) | (25) |
| Consultants | (29) | - |
| Travel | - | (33) |
| Foreign Exchange | 9 | 83 |
| VAT write off | - | (279) |
| Other administrative expenses | (167) | (113) |
| **Administrative expenses** | **(710)** | **(1,131)** |

**Please see Directors Remuneration report for breakdown*

**5. Employees**

The average number of persons employed by the Group (including directors) during the period ended 31 December 2023 was:

| | **2023** | **2022** |
|---|---|---|
| Management | 5 | 4 |
| Non-management | 7 | 7 |
| | 12 | 11 |

The highest paid director received total remuneration of approx. £163,000 including share-based payments (2022: approx. £308,000)

**6. Auditor's Remuneration**

| | Year ended 31 December 2023 £'000 | Period ended 31 December 2022 £'000 |
|---|---|---|
| Fees payable for the audit of the Group's financial statements | 44 | 45 |
| Fees payable for review of the Group's interim financial statements | - | 3 |
| | **44** | **48** |

**7. Taxation**

| | Year ended 31 December 2023 £'000 | Period ended 31 December 2022 £'000 |
|---|---|---|
| A reconciliation of the tax charge appearing in the income statement to the tax that would result from applying the standard rate of tax to the results for the year is: | | |
| Loss per accounts | (1,528) | (3,105) |
| Tax credit at the weighted standard average rate of corporation tax in the UK of 19% and Kazakhstan of 20% | (298) | (606) |
| Adjustment for items disallowable for tax | 7 | 375 |
| Tax losses for which no deferred tax is recognised | (291) | 231 |
| Tax expense recognised in accounts | - | - |

The Group has estimated tax losses carried forward of approx. £2,768,000 (2022: approx. £1,279,000) The taxed value of the unrecognised deferred tax asset is approx. £542,000 and these losses do not expire. No deferred tax assets in respect of tax losses have been recognised in the accounts as there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

**8. Other comprehensive income**

Items credited to the other comprehensive income line in the statement of comprehensive income relate to the impact of foreign exchange movements when translating the statement of financial position from functional to presentational currencies on consolidation. The corresponding movement is offset against the foreign exchange reserve in the statement of financial position:

| | Year ended 31 December 2023 £'000 | Period ended 31 December 2022 £'000 |
|---|---|---|
| Foreign currency movements | (35) | 70 |
| | **(35)** | **70** |

**9. Earnings per share**

The calculation of the basic and diluted earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December 2023 | Period ended 31 December 2022 |
|---|---|---|
| Loss attributable to shareholders of East Star Resources PLC - £'000 | (1,528) | (3,105) |
| Weighted number of ordinary shares in issue | 189,850,164 | 180,843,292 |
| **Basic & dilutive earnings per share from continuing operations - pence** | **(0.81)** | **(1.72)** |

There is no difference between the diluted loss per share and the basic loss per share presented. Share options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year presented.

In the current year no adjustment is required to account for the reverse takeover transaction. In the previous period the weighted average number of shares was adjusted for the impact of the reverse acquisition as follows:

- Prior to the reverse takeover, the number of shares is based on DVK, adjusted using the share exchange ratio arising on the reverse takeover; and from the date of the reverse takeover, the number of share is based on the Company. The prior year number of shares is also adjusted using the share exchange ratio.

**10. Exploration assets**

**Group**

| | **Exploration assets £'000** |
|---|---|
| Cost and carrying value - 1 January 2022 | - |
| Additions | 2,268 |
| Impairment charge | - |
| **At 31 December 2022** | **2,268** |
| Additions | 888 |
| Foreign exchange | (75) |
| | 932 |
| Impairment on licenses | (932) |
| **At 31 December 2023** | **2,149** |

Exploration and evaluation assets relate specifically to expenditure to support the exploitation of exploration licenses held in the Kazakhstan based subsidiaries. The Group holds a total of 8 licenses across 3 mineral districts being specifically the Chu-Ili belt, East Kostanay region and Rudny Altai belt.

In accordance with IFRS 6, the Directors undertook an assessment of the following areas and circumstances which could indicate the existence of impairment

- The Group's right to explore in an area has expired, or will expire in the near future without renewal;
- No further exploration or evaluation is planned by the Company or in conjunction with potential joint venture partners;
- The Board may consider to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves;
- Existing joint venture agreements have been terminated;
- Sufficient data exists to indicate that the book value may not be fully recovered from future development and production.

The Directors concluded that an impairment charge need be processed in the period in relation to the licenses as detailed below:

i) License 670 - Dalny: The exploration asset relating to license 670 was fully impaired in the period. No further exploration is planned by the Group.

ii) License 774 - Apmintas: The exploration asset relating to license 774 has been partially impaired in the period. The Company is in the process of relinquishing 40% of the tenement package considered to be less prospective for a commercial gold discovery.

A 10% movement either way in the KZT/GBP exchange rate would change the fair value by approximately £215,000.

**11. Earn in advance (financial asset)**

**Group**

| | **Earn in advance £'000** |
|---|---|
| Cost and carrying value - 1 January 2022 | - |
| Additions | 57 |
| Impairment charge | - |
| **At 31 December 2022** | **57** |
| Additions | 57 |
| Foreign exchange | 12 |
| Impairment on licenses | (126) |
| **At 31 December 2023** | **-** |

The licenses held jointly with Phoenix Mining Ltd in relation to rare earths are referred to above as a financial asset as they do not currently satisfy all the requirements of IFRS 6 to be capitalised as an exploration asset.

In the period an impairment charge was processed in relation to the licences as the joint venture agreement with Phoenix Mining Ltd was terminated. An impairment charge of £126,174 has been included in the accounts to write down the value of the assets to their fair value less cost to sell.

**12. Property, plant & equipment**

**Group**

| | Plant and equipment £'000 | Furniture and fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance - 1 January 2023 | 29 | 2 | 7 | 38 |
| Additions | 2 | - | - | 2 |
| At 31 December 2023 | 31 | 2 | 7 | 40 |
| | | | | |
| **Depreciation** | | | | |
| Opening balance - 1 January 2023 | (12) | - | (1) | (13) |
| Charge for the period | (7) | (1) | (2) | (10) |
| At 31 December 2023 | (19) | (1) | (3) | (23) |
| | | | | |
| Net book value 31 December 2022 | 17 | 2 | 6 | 25 |
| **Net book value 31 December 2023** | **12** | **1** | **4** | **17** |

| | Plant and equipment £'000 | Furniture and fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance - 1 January 2022 | 26 | 1 | 3 | 30 |
| Additions | 3 | 1 | 4 | 8 |
| At 31 December 2022 | 29 | 2 | 7 | 38 |
| | | | | |
| **Depreciation** | | | | |
| Opening balance - 1 January 2022 | (5) | - | - | (5) |
| Charge for the period | (7) | - | (1) | (8) |
| At 31 December 2022 | (12) | - | (1) | (13) |
| | | | | |
| Net book value 31 December 2021 | 21 | 1 | 3 | 25 |
| **Net book value 31 December 2022** | **17** | **2** | **6** | **25** |

## 13. Investment in subsidiaries

**Company**

| | £'000 |
|---|---|
| Cost and carrying value - 1 December 2021 | - |
| | |
| *Additions:* | |
| Share acquisition on RTO | 2,250 |
| Convertible loan note | 268 |
| Consideration shares | 3,750 |
| **At 31 December 2022** | **6,268** |
| | |
| *Additions* | - |
| | |
| Impairment | - |
| | |
| **At 31 December 2023** | **6,268** |

**List of Subsidiaries**

| Name | Business Activity | Country of Incorporation | Registered Address | Percentage Holding |
|---|---|---|---|---|
| Discovery Ventures Kazakhstan Limited | Mineral exploration | Kazakhstan | VP 32, building 12/1, Dinmuhamed Konaev street, Yesil district, Astana, Z05H9B0, Kazakhstan | 100% |
| Chu Ili Resources | Mineral | Kazakhstan | bld. 12/1, VP 32, 3rd floor, IHUB coworking, D. Konayev Street, Yessil | 80% |

| | | | | |
|---|---|---|---|---|
| ltd* | exploration | Kazakhstan | district, Astana city, Z05H9B0, Kazakhstan | 80% |
| Rudny Resources ltd* | Mineral exploration | Kazakhstan | bld. 12/1, VP 32, 3rd floor, IHUB coworking, D. Konayev Street, Yessil district, Astana city, Z05H9B0, Kazakhstan | 80% |

**Subsidiaries held indirectly through Discovery Ventures Kazakhstan*

**14. Cash and cash equivalents**

| | Group | | Company | |
|---|---|---|---|---|
| | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
| Cash at bank | 635 | 1,456 | 509 | 1,407 |

**15. Inter-company receivable**

**Company**

| | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
|---|---|---|
| Inter-company loan - DVK | 3,674 | 2,734 |
| | **3,674** | **2,734** |

**16. Trade and other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
| VAT receivable | 17 | 15 | 17 | 6 |
| Prepayments | 39 | 24 | 20 | - |
| Other debtors | 71 | 94 | 10 | 10 |
| | **127** | **133** | **47** | **16** |

**17. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
| Trade payables | 71 | 54 | 38 | 32 |
| Accruals | 44 | 54 | 44 | 45 |
| Other payables | - | 19 | - | 8 |
| | **115** | **127** | **82** | **85** |

**18. Share capital and share premium**

**Group**

| | Ordinary Shares # | Share Capital £'000 | Share Premium £'000 | Total £'000 |
|---|---|---|---|---|
| **At 31 December 2021** | **70,590** | **53** | **132** | **185** |
| Transfer of capital to reverse acquisition reserve | (70,590) | (53) | (132) | (185) |
| Share capital of the Company at acquisition | 69,540,164 | 695 | 1,501 | 2,196 |
| Issue of shares for acquisition of subsidiary | 50,350,000 | 504 | 2,014 | 2,518 |
| Issue of ordinary shares | 62,360,000 | 624 | 2,494 | 3,118 |
| Share issue costs | - | - | (118) | (118) |
| **At 31 December 2022** | **182,250,164** | **1,823** | **5,891** | **7,714** |
| Issue of ordinary shares[1] | 36,400,000 | 364 | 182 | 546 |
| Share issue costs | | | (21) | (21) |

| | | | | |
|---|---|---|---|---|
| Share issue costs | - | - | (21) | (21) |
| **At 31 December 2023** | **218,650,164** | **2,187** | **6,052** | **8,239** |

[1] On 16 October 2023, the Company issued 36,400,000 ordinary shares at £0.015 as part of a share placement.

The share premium represents the difference between the nominal value of the shares issued and the actual amount subscribed less; the cost of issue of the shares, the value of the bonus share issue, or any bonus warrant issue.

The Company has only one class of share. All ordinary shares have equal voting rights and rank pari passu for the distribution of dividends and repayment of capital.

**19. Share based payments reserve**

| | Group £'000 | Company £'000 |
|---|---|---|
| Opening balance - 1 December 2021 | - | 24 |
| Acquired equity as part of acquisition | 24 | - |
| Advisor warrants issued | 132 | 132 |
| Employee options issued | 112 | 112 |
| **As at 31 December 2022** | **268** | **268** |
| Employee options issued[1] | 32 | 32 |
| LTIP options issued[2] | 7 | 7 |
| **As at 31 December 2023** | **307** | **307** |

[1] On 13 December 2021, 11,250,000 employee options were granted. These options have an exercise price of £0.05 and expire 5 years from the grant date. Value attributed to the share based payments reserve in the current period represents the pro-rata portion of the expense brought to account over the vesting period.

[2] On 1 March 2023 the remuneration committee approved the adoption of a long-term incentive plan ("LTIP"). On the recommendation of the Remuneration Committee, the Company has granted an aggregate of 4,432,326 options over new ordinary shares in the Company to employees and non-executive directors of the Company to be approved by shareholders at the next Annual General Meeting. Value attributed to the share based payments reserve in the current period represents the pro-rata portion of the expense brought to account over the vesting period

**Share based payments valuation**
The charges associated with the share based payments have been applied to the statement of profit or loss and other comprehensive income. The following tables summarises the valuation techniques and inputs used to calculate the values of share based payments in the period:

**Options**

| Grant date | Number | Share price £ | Exercise price £ | Volatility % | RF Rate % | Technique |
|---|---|---|---|---|---|---|
| 01/03/2023 | 4,251,167 | 0.035 | 0.043 | 77 | 3.5 | Black Scholes |

**Warrants**

| | As at 31 December 2023 | |
|---|---|---|
| | Weighted average exercise price | Number of warrants |
| Brought forward at 1 January 2023 | | 14,813,505 |
| Lapsed in period | 5p | (6,000,000) |
| Granted in period | 3p | 36,400,000 |
| Vested in period | 3p | 36,400,000 |
| Outstanding at 31 December 2023 | 4p | 45,213,505 |
| Exercisable at 31 December 2023 | 4p | 45,213,505 |

The weighted average time to expiry of the warrants as at 31 December 2023 is 1.06 years.

**Options**

| | As at 31 December 2023 | |
|---|---|---|
| | Weighted average exercise price | Number of options |
| Brought forward at 1 January 2023 | 5p | 11,250,000 |
| Granted in period | 4.3p | 4,794,644 |
| Cancelled in period | 4.3p | (1,110,144) |
| Vested in period | | - |
| Outstanding at 31 December 2023 | 5p | 14,934,500 |
| Exercisable at 31 December 2023 | | 3,750,000 |

The weighted average time to expiry of the options as at 31 December 2023 is 4.67 years.

The option vesting conditions of the LTIP options are as below:

- 50% of the Shares under Option (rounded down to the nearest whole number) shall Vest on the first anniversary of the Date of Grant;
- 25% of the Shares under Option (rounded down to the nearest whole number) shall Vest on the second anniversary of the Date of Grant;
- 25% the remaining number of the Shares under Option shall Vest on the third anniversary of the Date of Grant.

## 20. Reverse acquisition

On 10 January 2022, the Company acquired the share capital of Discovery Ventures Kazakhstan Limited ("DVK"), through an issue of 45,000,000 consideration shares the entire share capital of DVK, whose principal activity is to undertake exploration activities relating to gold and copper mineral resources in Kazakhstan.

Although the transaction resulted in DVK becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition as in substance, it has resulted in a fundamental change in the business of the Company with the sole director of DVK becoming the Chief Executive Officer of the Company. Thus, the executive management of DVK now exerts significant influence over the executive management of the Company.

The shareholders of DVK acquired a 27.63% interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of the Main Market LSE Listing, acquiring DVK and raising equity finance to provide the required funding for the operations of the acquisition the directors did not consider this to meet the definition of a business in accordance with IFRS 3.

Accordingly, this reverse acquisition does not constitute a business combination. Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors have prepared these financial statements using the reverse acquisition methodology, but rather than recognising goodwill, the difference between the equity value given up by the DVK shareholders and the share of the fair value of net assets gained by the DVK shareholders is charged to the statement of comprehensive income as a share-based payment on reverse acquisition, and represents in substance the cost of acquiring a Main Market LSE listing.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated statements of DVK and its subsidiaries and include:

- The assets and liabilities of DVK and its subsidiaries at their pre-acquisition carrying value amounts and the results for both periods; and
- The assets and liabilities of the Company as at 10 January 2022 and its results from the date of the reverse acquisition on 10 January 2022 to 31 May 2022.

On 10 January 2022, the Company issued 45,000,000 ordinary shares to acquire the entire share capital of DVK. As part of the acquisition the Company also agreed to settle a separate convertible loan note held by DVK through the issue of 5,350,000 shares. On the same date, the Company was readmitted to the Main Market of the LSE, after completing its second placing round with a placing share price of £0.05 and therefore the Company has valued the investment in DVK at £6,267,500. (This figure includes both the initial consideration mentioned above as well as the contingent consideration on completion milestones)

Because the legal subsidiary, DVK, was treated on consolidation as the accounting acquirer and the legal Parent Company, East Star, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by DVK was calculated at £3,477,008 based on an assessment of the purchase consideration for a 100% holding of East Star of 69,540,164 shares at a weighted average placing price of £0.05 per share (being the share price of East Star at acquisition).

The fair value of the net assets of East Star at acquisition was as follows:

| | £'000 |
|---|---|
| Cash and cash equivalents | 1,835 |
| Convertible loan notes | 609 |
| Other receivables | 151 |
| Trade and other payables | (848) |
| Net assets | **1,747** |

The difference between the deemed cost (£3,477,008) and the fair value of the net assets assumed above of £1,747,053 resulted in £1,729,955 being expensed within "reverse acquisition expenses" in accordance with IFRS 2, Share Based Payments, reflecting the economic cost to DVK shareholders of acquiring a quoted entity.

The reverse acquisition reserve which arose from the reverse takeover is made up as follows:

| | £'000 |
|---|---|
| Pre-acquisition equity[1] | (473) |
| DVK share capital at acquisition[2] | 216 |
| Investment in DVK[3] | (6,268) |
| Reverse acquisition expense[4] | 1,730 |
| | **(4,795)** |

1. Recognition of pre-acquisition equity of East Star as at 10 January 2022.

2. DVK had equity at the date of acquisition of £216,050. As these financial statements present the capital structure of the legal parent entity, the equity of DVK is eliminated.

3. The value of the shares issued by the Company in exchange for the entire share capital of DVK as at the share price used in the placing that occurred simultaneously (£0.05). The above entry is required to eliminate the balance sheet impact of this transaction.

    I. Initial consideration: 45 million shares at £0.05 (£2,250,000)

    II. Contingent consideration: 75 million shares at £0.05 (£3,750,000)

    III. Convertible loan notes settled on behalf of DVK through issue of 5.35m shares at £0.05 (£267,500)

4. The reverse acquisition expense represents the difference between the value of the equity issued by the

Company, and the deemed consideration given by DVK to acquire the Company.

**21. Financial Instruments and Risk Management**

**Capital management**

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

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

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

The management of these risks is vested to the Board of Directors. The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in expense/decrease in income.

**General objectives and policies**

As alluded to in the Directors report the overall objective of the Board is to set policies that seek to reduce risk as far as practical without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are detailed below.

**Principal financial instruments**

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

*Policy on financial risk management*

The Group's principal financial instruments comprise cash and cash equivalents, other receivables, trade and other payables. The Group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 2 - "Accounting Policies".

The Group does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

*Derivatives, financial instruments and risk management*

The Group does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

*Foreign currency risk*

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

The Group has a limited level of exposure to foreign exchange risk through its foreign currency denominated cash balances, trade receivables and payables:

| £GBP | 31 Dec 2023<br>£'000 |
|---|---|
| Cash and cash equivalents | 126 |
| Trade and other receivables | 80 |
| Trade and other payables | (33) |
| | 173 |

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group . The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are monitored by the Board of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Group applies IFRS 9 to measure expected credit losses for receivables, these are regularly monitored and assessed. Receivables are subject to an expected credit loss provision when it is probable that amounts outstanding are not recoverable as set out in the accounting policy.

The Group's principal financial assets are cash and cash equivalents. Cash equivalents include amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has zero trade receivables and therefore there is no risk relating to a 3rd party being unable to service its obligations.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recorded in the financial statements.

*Interest rate risk*

The Group currently has no borrowings. The Group's principal financial assets are cash and cash equivalents. Cash equivalents include amounts held on deposit with financial institutions. The effect of variable interest rates is not significant.

*Liquidity risk*

During the period ended 31 December 2023, theGroup was primarily financed by cash raised through equity funding and supplemented by funds provided through the BHP Xplor program. Funds raised surplus to immediate requirements are held as cash deposits in Sterling except for minor working capital requirements held in subsidiary bank accounts.

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 December 2023 on the basis of their earliest possible contractual maturity.

| | Total £'000 | Within 2 months £'000 | Within 2-6 months £'000 |
|---|---|---|---|
| **At 31 Dec 2023** | | | |
| Trade payables | 71 | 71 | - |

**22. Financial assets and liabilities**

| *Group - Year ended 31 Dec* | *Financial assets/liabilities at amortised cost* | |
|---|---|---|
| | **2023** | **2022** |
| | **£'000** | **£'000** |
| Trade and other receivables[1] | 88 | 109 |
| Cash and cash equivalents | 635 | 1,456 |
| Trade and other payables[2] | (71) | (73) |
| | **652** | **1,492** |

| *Company - Period ended 31 Dec* | *Financial assets/liabilities at amortised cost* | |
|---|---|---|
| | **2023** | **2022** |
| | **£'000** | **£'000** |
| Trade and other receivables[1] | 27 | 15 |
| Cash and cash equivalents | 509 | 1,407 |
| Trade and other payables[2] | (38) | (40) |
| | **498** | **1,382** |

[1] Trade and other receivables excludes prepayments

[2] Trade and other payables excludes accruals

**23. Related Party Transactions**

Orana Corporate LLP - Service Agreement
During the year, £58,300 was paid to Orana Corporate LLP of which Anthony Eastman is a director of East Star Resources PLC and Orana during the period for the provision of corporate accounting services. £1,000 was deferred to be settled at a later date.

Other than these there were no other related party transactions.

*Directors remuneration*
See Directors report for details on Directors remuneration in the period.

**24. Ultimate Controlling Party**

As at 31 December 2023, there was no ultimate controlling party of the Group.

**25. Capital Commitments**

The Group is committed to the following minimum expenditure across various licenses within 12 months from 31 December 2023:

| **License area** | **License** | **Owner** | **Annual minimal expenditures on exploration** |
|---|---|---|---|
| | | | **£** |
| Apmintas | 774-EL | Chu-Ili Resources Limited | 157,168 |
| Novo 2 | 847-EL | Rudny Resources Limited | 118,252 |
| Novo 1 | 914-EL | Rudny Resources Limited | 179,733 |
| RA 1 | 1799-EL | Discovery Ventures Kazakhstan Limited | 32,032 |
| RA 3 | 1795-EL | Discovery Ventures Kazakhstan Limited | 20,867 |
| RA 4 | 2546-EL | Discovery Ventures Kazakhstan Limited | 6,620 |
| Snowy | 2506-EL | Copperland | 41,237 |
| Ayogoz | 2483-EL | Copperland | 30,746 |
| | | **Total** | **586,655** |

**26. Contingent assets**

VAT recoverable
The subsidiaries of East Star Resources had accrued an amount of £293,078 relating to VAT incurred on expenditure on the various mining licenses to 31 December 2023. As the Group is currently not generating revenue these amounts can not be offset but are retained in the event that revenue is generated in a period of 5 years from incurring the expense.

Per "IAS 37 - Provisions, Contingent Liabilities and Contingent Assets" this amount should not be recognised as an asset due to the uncertainty of economic benefits flowing to the Group but is disclosed as a contingent asset as the inflow of economic benefits is probable.

**27. Contingent liabilities**

There were no contingent liabilities over the Group as at 31 December 2023.

**28. Events Subsequent to period end**

BHP Xplor Program

On 22 January 2024 the Company announced that it had been selected to receive a grant of up to US$500,000 from BHP under the 2024 BHP Xplor Programme to initiate a copper porphyry exploration strategy in Kazakhstan.

Appointment of director

On 22 January 2024 the Company appointed Chris van Wijk as a Non-Executive Director and subsequently on 29 February 2024 he was appointed as Technical Director.

Sediment-Hosted Copper Exploration JV with Getech

In February 2024, the Company announced it had entered into a joint venture agreement with Getech Group PLC (AIM: GTC) ("Getech"), a world-leading locator of subsurface resources, to explore for sediment-hosted copper deposits in Kazakhstan.

Verkhuba Copper Deposit Update

In March 2024, the Company announced it had instructed independent experts AMC Consultants to produce a maiden JORC Inferred Resource for the Verkhuba Copper Deposit.



END

FR QKOBKDBKBFQD