



BRADDA HEAD

**Annual report and consolidated financial statements
For the year ended 28 February 2022**

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

<i>Contents</i>	<i>Page</i>
Management and administration	3
Chairman's statement	4
Chief Executive Officer's operational review	6
Directors' report	10
Corporate governance statement	12
Audit, Risk and Compliance Committee Report	16
Report of the Remuneration Committee	18
Statement of Directors' responsibilities	20
Report of the Independent Auditors	21
Consolidated statement of comprehensive income	26
Consolidated statement of financial position	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	30
Notes to the consolidated financial statements	31 to 53

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Management and administration

Directors	Ian Stalker – Chairman Charles FitzRoy – Chief Executive Officer (Appointed 23 April 2021) Denham Eke – Finance Director and Company Secretary James Mellon – Non-Executive Deputy Chairman Euan Jenkins – Independent Non-Executive Director Alex Borrelli - Independent Non-Executive Director (appointed 7 June 2021)
Secretary	Denham Eke 4 th Floor Viking House Nelson Street, Douglas Isle of Man IM1 2AH
Registered Office	Craigmuir Chambers, Road Town Tortola, British Virgin Islands
Nominated Advisor	Beaumont Cornish Limited (appointed 21 March 2021) Building 3 566 Chiswick High Road London W4 5YA
Joint UK Broker	Shard Capital Partners LLP (appointed 12 May 2021) 23rd Floor 20 Fenchurch St London EC3M 3BY Peterhouse Capital Limited (appointed 9 June 2021) 80 Cheapside London EC2V 6EE
Canadian Broker	Red Cloud Securities Inc. (appointed 30 September 2021) 120 Adelaide Street W, Suite 1400 Toronto, ON M5H 1T1
Registrar	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town, Tortola British Virgin Islands
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM1 1LA
Legal Advisors	Hill Dickinson LLP (as to UK law) The Broadgate Tower 20 Primrose Street London EC2A 2EW Fennemore Law (as to USA law) 2394 East Camelback Road Suite 600, Phoenix AZ 85016-3429
Depository	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Chairman's statement

Introduction

It is a pleasure to present the Annual Report and the Audited Financial Statements for Bradda Head Lithium Limited (the "Company" or "Bradda Head") for the year ended 28 February 2022.

First of all a big thanks to all our IPO investors and subsequent shareholders who have supported the Company and allowed management to develop Bradda Head to where we are today - a well-funded lithium exploration junior with approximately US\$ 16.5 million in the Treasury currently, three great projects all located in the USA, covering each of the three lithium mineralisation types, and underpinned by a solid team of professional operators. Indeed, the team on the ground also deserves a big thank you as, without them, our programmes would not have moved with the speed they have. For a junior exploration company to hit the ground running and then continue to maintain momentum is largely due to their hard work and dedication.

Since our AIM listing in July 2021, work has commenced on all three deposit types. This has resulted in a number of milestones, including an updated resource estimate from our Basin East lithium clay deposit released in March 2022. We increased the lithium carbonate equivalent ("LCE") content in our resource by 65% and yet only drilled +/- 1,000m to achieve this. Equally exciting and pleasing is that we now also have an exploration target of between 1 and 6Mt LCE over our various claims in this deposit mineralisation envelope, independently confirmed by SRK Consulting UK Limited. We anticipate further resource growth over 2022/2023 which, as appropriate, will feed into a technical study. We also expect to start drilling at our San Domingo pegmatite opportunity in the coming weeks, with 30 holes planned. Our initial shallow based drill programme at our Eureka brine assets in Nevada was completed in May and we look forward to reporting the results in due course. This effort has been undertaken against a backdrop of a very restricted drilling market in the US.

Last year has seen a very positive lithium macro backdrop. When Bradda Head listed, lithium carbonate prices were approximately US\$12,000/t. As of the end of February this year, the price had increased by nearly 70% to over US\$70,000/t. Whilst this is the spot price in China, this high level is having direct impact on the long-term contract prices of lithium chemicals and also an uplift in price forecasts from metals analysts. Although the 2025 forecast price of lithium carbonate is approximately US\$20,000/t, Bradda Head's processing specialist, Dr Yatendra Sharma, is targeting operational processing costs at US\$4,000/t at that date. We will continue to release updates on the development of our metallurgical testwork programmes.

All shareholders should be fully aware that Bradda Head has put Environmental, Social, and Corporate Governance ("ESG") at the top of its agenda. We appointed a seasoned USA ESG professional shortly after listing, and have been working with him closely to ensure we are setting a high standard as an exploration company. A key issue in Arizona and Nevada is water scarcity and, as a consequence, we have now implemented sonic drilling technology to minimise water use. We are also developing water use mitigation programmes with our local stakeholders, and have a number of community-based programmes and protocols that we will roll out during 2022 and 2023.

Shortly after listing, Bradda Head engaged two lithium specialists. Don Hains, an industrial minerals exploration and economic geologist with extensive experience in development, use and analysis of industrial minerals properties and materials, has been appointed as a Technical Consultant. Dr Yatendra Sharma, who holds a master's degree in industrial chemistry/metallurgy and a PhD degree in chemical process and electrometallurgy, with over 47 years of experience, has been appointed as a Lithium Processing Consultant. These experienced professionals, both with extensive technical and commercial knowledge, continue to assist in the design of our work programmes.

As disclosed in the Company's Admission document, the Group is currently engaged in correspondence with Arizona Lithium regarding the validity of some of the claims held at Wikieup. As of writing, discussions with Arizona Lithium are still ongoing.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Chairman's statement (continued)

I would like to also highlight and thank all participants in the fund raise we completed post February 2022 year end. We took advantage of the buoyant market in March and raised US\$ 12.9 million in a combined North American and UK placement, that has given both North American and UK investors the opportunity to support Bradda Head in its plans for development of its US based portfolio of lithium assets.

Thank you for your support and we all look forward to a huge year for Bradda Head Lithium.

Ian John Stalker
Chairman

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Chief Executive Officer's operational review

The financial year has been very exciting, with the most significant moment for the Company being the successful listing and admission of its shares to trading on the London AIM market.

Following the Company listing on 19 July 2021 ("IPO"), the development of the Company's lithium projects have progressed at a rapid pace. Bradda Head hit the ground running with the first drill programme already underway. On 19 August 2021, the Company engaged the services of geophysics contractor, Terravision Exploration Ltd, to conduct geophysical programmes at the Company's Basin (both East and West), Wikieup and San Domingo lithium projects, using their leading ground-penetrating radar technology, GPR Plus™. Encouraging results were received for the Basin, Wikieup and San Domingo projects and incorporated into subsequent drilling programmes.

Shortly after the IPO, the Company commenced and completed a successful claim-staking programme, which doubled the size of our Western Arizona landholding. About 24km² of new claims have been added, increasing that landholding by 105% to approximately 47km² of sedimentary lithium claims. The new claims are adjacent to the existing Basin East, Basin West, and Wikieup clay deposits, and complement Bradda Head's estate. The claims were placed where the Company's geologists have identified areas in which lithium-bearing clay, similar to that at the Wikieup and Basin assets, is likely exist under younger alluvium and/or volcanoclastic deposits.

In August 2021, shortly after listing, Bradda Head made three key senior appointments which reflect the intent of the Company to be an Industry Leader in these areas. Adam Hawkins, an expert in ESG, has been appointed as ESG Officer. Don Hains, an industrial minerals exploration and economic geologist with extensive experience in development, use and analysis of industrial minerals properties and materials, has been appointed as a Technical Consultant. Dr Yatendra Sharma, who holds a master's degree in industrial chemistry/metallurgy and a PhD degree in chemical process and electrometallurgy, with over 47 years of experience, has been appointed as a Lithium Processing Consultant.

Following these appointments, the ESG Officer and communities team commenced work to identify and consult with stakeholders surrounding the Wikieup and Basin drill sites. This work included producing videos to help local stakeholders understand the footprint and scale of drilling activities in the area, with a key focus area for the Company being around water supply and protection of water resources, the protection of cultural resources, and working with the local tribes in the areas. Key for the Company is its commitment to ESG matters, by continuing to work on a comprehensive outreach plan, and an integrated media and community response plan for employees and contractors in the field.

On 22 September 2021, the Company changed its name from Bradda Head Holdings Limited to Bradda Head Lithium Limited, to better reflect the business and focus.

In November 2021, the Company completed its first diamond core drilling programme at the Basin East project. Bradda drilled 10 holes (7 new locations and 3 twinned) for a total of 1,100m metres. The drilling results confirmed the highest grade intercepts recorded to date at Basin East of over 2,000 ppm lithium, with the highest grade recorded in the upper clay zone at 2,150 ppm lithium. An updated Mineral Resource Estimate was released in March 2022 (it is important to note this was based on only 1,110m of 2021 drilling), and highlights a current resource of 305kt of lithium carbonate equivalent at a 400ppm cut-off. This recent exploration drilling and core logging has also identified a high-grade zone within the resource of 58 kt at about 1,300 ppm lithium. This has significant benefit in identifying and locating the next round of drilling targets planned for Q2 2022. Importantly for future resource growth, the Mineral Resource remains open to the west and northwest of the drilled area where the Company has the adjacent Basin East Extension ("BEE") claim block and beyond into the Basin North ("BN"), Basin West ("BW") and Basin West Extension ("BWE") claim blocks where geological mapping and geophysical surveys suggest that similar clay strata are present.

SRK has determined an Exploration Target of between 1Mt to 6Mt of LCE covering the claims BN, BE, BEE and BW and BWE. An extensive 30-hole drilling programme is planned for the remainder of 2022 at BEE and BN with permits in the process of being obtained and should start in Q2, also an additional 14-hole sonic drill programme has also been approved at BE.

In December 2021, the Company commenced drilling on its Wikieup project in Arizona, with the drill programme being conducted by Boart Longyear using sonic drilling techniques. The selection of the sonic drilling rigs is an indication of the Company's intent to undertake our business in an appropriate and environmentally sensitive way.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Chief Executive Officer's operational review (continued)

Sonic rigs are not only less impactful on the environment than diamond core drilling rigs, use less water than diamond core rigs, but they are also able to achieve superior core recoveries in soft sedimentary rocks. Permission has been granted to drill 28 holes, and Bradda expects the full assay results to be received in Q2 2022.

Also in December 2021, the Company exercised its option to acquire 100% of portions of both the Basin East project area, and the Basin West project area, covering 2.4km² in total. This exercise was based on the expectation of significant lithium mineralisation of economic value on these properties.

In addition to positive progress made on the Company's projects, the lithium clay-based projects Basin and Wikiuep received a major endorsement in December 2021, when the Company completed a royalty agreement with the Lithium Royalty Corporation. Further details are discussed below under Financing.

An initial metallurgical test-work programme was completed on the Company's Basin East lithium bearing clays in January 2022, utilising SGS Canada, a highly-regarded laboratory in Canada. This programme built on existing metallurgical work from the Company's 2016 to 2018 programmes and utilised recent developments in lithium clay processing technology. Results received to date show an impressive 99% lithium extraction into leach, using acid leaching at atmospheric conditions. Important to note is that 85% of the lithium mineralisation in the clay at BE sits in the 11-micron fraction, which allows us to concentrate the clay by size fraction sorting before we even start to process. This analysis has made it possible for us to beneficiate Li in Li ore using Cyclone Classification. It was possible to concentrate our lithium content by 25.9% by rejecting 32% Li clay using Cyclone Classification. Having the ability to beneficiate our clay before processing will reduce capex and opex considerably. The capex may be reduced as the ability to concentrate our lithium content by c.30% may enable us to now only need leach equipment two-thirds the size and opex may be reduced by 25% because of the use of less reagents (such as sulfuric acid) and utilities consumption. The Company's primary aim is to develop a suitable process flowsheet with a minimum carbon footprint, whereby the target processing cost of Li extraction is less than US\$4,000/t Lithium Carbonate Equivalent ("LCE"), allowing it to be competitive in a more challenging Lithium Carbonate pricing environment. As at the end of February spot prices were over US\$70,000/t.

In January as part of the Company's efforts to market in North America, Bradda Head listed its shares on the OTCQB Market.

The Company received permission to commence a 23-hole drilling programme at its Eureka project in March this year. Prior to applying for the permit, Bradda Head commissioned two geophysical surveys (Magnetotellurics and GPR Plus™) over its Eureka project to understand more about how the lithium is contained there. Bradda had previously undertaken a surface sampling programme, indicating the presence of lithium at surface of up to 550ppm Li, and testing of hot springs at surface had indicated an anomalous lithium content in the water at surface. The geophysical results from both programmes demonstrate the potential presence of both brine and clay deposits at Eureka. These positive results have enabled us to go ahead with plans for a drilling programme to test the observed brine reservoir and a shallow drill programme to test the clay to maximise the resource's full potential whilst further exploring Eureka's lower basin.

The remainder of 2022 is going to be a big year for the Company, with resource growth at its clay assets in Arizona with drill programmes planned at Basin East, Basin East Extension and Basin North. Excitingly, in June the Company plans to start its first drill programme at its San Domingo pegmatites district, results to follow in H2 2022. San Domingo was mined previously in the 1940's and 1950's for lithium and other minerals. Bradda has a 9km strike of known pegmatites, with some showing mineralisation at surface. Recent geophysics has demonstrated trends in the pegmatites, and Bradda Head has designed a 30-hole programme to be completed. This programme will test the thesis that San Domingo is similar in structure to other zoned pegmatite systems, like Kathleen Valley in Australia. Previous grab samples, chip and channel sampling has returned grades of up to 8% in places, and consistently between 0.5% and 2.5% Li₂O across target zones.

Work is also underway at Wilson and Eureka, with a shallow drilling programme planned at Eureka in Q2 2022 and a brine drilling programme planned for Wilson in H2 2022.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Chief Executive Officer's operational review (continued)

Financial Review

For the year ended 28 February 2022, the Company recorded a net loss of US\$ 3,554,468 (28 February 2021: US\$ 721,949). Expenditures totalling US\$ 1,022,837 are considered to be one-off items, as these related directly to the AIM stock exchange listing, completed on 19 July 2021.

As at year end, cash balance stood at US\$ 7,327,303 (28 February 2021: US\$ 86,972), capitalised deferred mining, exploration, licence and permit costs stood at US\$ 5,732,820 (28 February 2021: US\$ 2,458,739), and total assets were US\$ 13,354,840 (28 February 2021: US\$ 2,649,118).

Approach to Risk and Corporate Governance

"The Company's general risk appetite is a moderate, balanced one that allows it to maintain appropriate growth, profitability and scalability, whilst ensuring full corporate compliance."

The Group's primary risk drivers include: -

Strategic, Reputational, Credit, Operational, Market, Liquidity, Foreign Exchange, Capital and Funding, Compliance and Conduct.

Our risk appetite has been classified as high under an "impact" matrix defined as Zero, Low, Medium and High. Appropriate steps have been taken and adequate controls implemented to monitor the risks of the Company, and the appropriate committees and reporting structures have been established, and, will monitor risks facing the Company.

Financing

On 21 May 2021, the company completed a pre-IPO funding round, raising gross proceeds of US\$ 1,028,199 from new and existing shareholders, issuing 21,420,824 new ordinary shares.

On 19 July 2021, the Company completed an over-subscribed AIM listing. The Company raised total gross proceeds of £6,200,000 or US\$ 8,570,964, issuing 112,727,273 new ordinary shares to institutional and other investors. As mentioned above, listing related expenditures amounted to US\$ 1,022,837 and these are considered to be non-recurring items.

Further endorsement in the confidence of our assets was received on 15 November 2021, with the Company entering into a royalty agreement with the Lithium Royalty Corporation ("LRC") for a 2% Gross Overriding Royalty ("GOR") over its sedimentary lithium claims in Central Arizona. The key terms being:

- Total proceeds payable to Bradda Head of US\$ 8 million, spread as follows:
 - o US\$ 2.5 million on closing
 - o US\$ 2.5 million once Bradda Head has obtained a 1 million tonne (Mt) lithium carbonate equivalent (LCE) resource with a minimum lithium grade of 800 parts per million ("ppm")
 - o US\$3 million once Bradda Head has obtained a 2.5Mt LCE resource with a minimum lithium grade of 800 ppm
- LRC invested an additional US\$ 2 million as a private placement on closing
- LRC issued with 1,185,687 warrants at completion

This is another significant step towards our end-goal of becoming a battery-grade lithium provider to the lithium-hungry US market.

On 20 January 2022, the Company's shares commenced cross-trading on the OTCQB Board of the OTC Markets. Considering that all of the Company's projects are located in the USA, this was a logical step for the Company and provides efficient access for US-based investors to trade the Company's shares.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Chief Executive Officer's operational review (continued)

Strategy and Outlook

Under the Biden administration, clean energy production will be ramped up in the USA, with lithium considered to be a key resource. US\$ 3 billion has been dedicated by the Biden administration to increase US-based battery production for electric vehicles. Grants will be made available to produce key metals such as lithium. They are intended to reduce reliance of the US on countries such as China, which has been leading the way in lithium-ion batteries. The Company, with its portfolio of assets covering all three main lithium deposit types, is ideally positioned to take advantage of this demand growth. The projects held are in favourable location with respect to power, rail and road transport, electricity and gas infrastructure is easily accessible and in place, and multiple lithium end users are located in the Western states close to the Company's projects, most notably the Tesla Gigafactory.

With its current portfolio, a highly experienced and motivated team, the Board believes it is in a strong position to unlock value from its projects and create value for shareholders.

Charles FitzRoy
Chief Executive Officer

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Directors' report

The Directors present their annual report and the consolidated financial statements for Bradda Head Lithium Limited (the "Company") for the year ended 28 February 2022.

Principal activity

Bradda Head Lithium Limited is a lithium exploration Group focused on developing its high-quality projects in the USA. On 14 September 2021, the Company changed its name from Bradda Head Holdings Limited to Bradda Head Lithium Limited.

Results and transfers to reserves

The results and transfers to reserves for the year are set out on pages 26 to 30 of the consolidated financial statements.

The Company made a total comprehensive loss attributable to equity shareholders for the year after taxation of US\$ 3,554,468 (28 February 2021: US\$ 721,949).

Dividend

The Directors do not propose the payment of a dividend for the year (2021: US\$ Nil).

Policy and practice on payment of creditors

It is the policy of the Company to agree appropriate terms and conditions for its transactions with suppliers by means of standard written terms to individually negotiated contracts. The Company seeks to ensure that payments are always made in accordance with these terms and conditions.

Financial risks

Details relating to the financial risk management are set out in note 16 to the financial statements.

Directors

The Directors who served during the period and to date are:

Denham Eke	
James Mellon	
Ian Stalker	
Euan Jenkins	
Charles FitzRoy	Appointed 23 April 2021
Alex Borrelli	Appointed 7 June 2021

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Directors' report (continued)

Directors' interests

As at 28 February 2022, the interests of the Directors and their families (as such term is defined in the AIM Rules for Companies) in the share capital of the Company are as follows:

	28 February 2022		28 February 2021	
	Number	% of issued share capital	Number	% of issued share capital
James Mellon ¹	64,145,176	20.21%	14,263,407	19.00%
Denham Eke	124,307	0.04%	124,307	0.16%
Ian Stalker ²	3,616,267	1.14%	819,861	1.09%
Charles FitzRoy	11,091	0.003%	-	-
Euan Jenkins	2,055,454	0.65%	-	-
Alex Borrelli	315,649	0.10%	-	-
	<u>70,267,944</u>	<u>22.143%</u>	<u>15,207,575</u>	<u>20.25%</u>

¹ James Mellon's interest comprises of 64,145,176 (2021: 14,263,407) shares directly held by Galloway Limited, which is indirectly wholly owned by James Mellon. Denham Eke is a director of Galloway Limited.

² Ian Stalker's interest comprises of 3,532,844 (2021: 819,861) shares directly held by Promaco Limited, which is wholly owned by Ian Stalker. The balance of 83,423 shares are held directly in his name.

Significant shareholdings

Except for the interests disclosed in this note, the Directors are not aware of any holding of ordinary shares as at 28 February 2022 representing 3% or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of total issued capital
James Mellon ¹	64,145,176	20.21%
Zenith Minerals Limited	43,959,305	13.85%
Lithium Royalty Corporation	19,481,475	6.14%
RBC Trust Company (International) Limited	14,750,000	4.65%
Anthony Baillieu	14,365,996	4.53%
Jason Macdonald ²	14,095,706	4.44%
Raj Chawla	12,250,000	3.86%

¹ James Mellon's interest comprises of 64,145,176 (2021: 14,263,407) shares directly held by Galloway Limited, which is indirectly wholly owned by James Mellon. Denham Eke is a director of Galloway Limited.

² Jason Macdonald's interest comprises of 12,307,004 (2021: 12,307,004) shares directly held by the J&E Macdonald Trust, of which Jason Macdonald has a vested interest in. The balance of 1,788,702 (2021: 1,788,702) shares is held directly in his name.

Auditors

KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

By order of the Board

Denham Eke

Director

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Corporate Governance Statement

The Board of Bradda Head Lithium Limited (the “Board”) is committed to best practice in corporate governance throughout the Company (the “Company”). The Directors have agreed to comply with the provisions of the Quoted Companies Alliance (“QCA”) Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations. This report illustrates how the Company complies with those principles.

QCA Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

The strategy and business operations of the Company are set out in the Chairman’s Statement and Chief Executive Officers operational review on pages 6 to 9.

The Company’s strategy and business model and amendments thereto are developed by the Chairman and his senior management team and approved by the Board. The management team is responsible for implementing the strategy and managing the business at an operational level.

The Company operates in an inherently high-risk sector and this is reflected in the principal risks and uncertainties.

In executing the Company’s strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

QCA Principle 2: Seek to understand and meet shareholder needs and expectations

The Company via the Chairman seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Company’s strategy and progress and to understand the needs and expectations of shareholders.

Beyond the Annual General Meeting, the Chairman and, where appropriate, other members of the senior management team or Board will meet with investors and analysts to provide them with updates on the Company’s business and to obtain feedback regarding the market’s expectations of the Company.

The Company’s investor relations activities encompass dialogue with both institutional and private investors. From time to time, the Company attends private investor events, providing an opportunity for those investors to meet with representatives from the Company in a more informal setting.

QCA Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholders. These include the Company’s advisors, suppliers and investee companies. The Company’s operations and working methodologies take account of the need to balance the needs of all of these stakeholders while maintaining focus on the Board’s primary responsibility to promote the success of the Company for the benefit of its members as a whole. The Company endeavours to take account of feedback received from stakeholders, and where appropriate, ensures any amendments are consistent with the Company’s longer-term strategy.

The Company takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible.

QCA Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. Internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Company Audit, Risk and Compliance Committee, the effectiveness of these internal controls is reviewed annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Company’s results, compared with the budget, are reported to the Board on a monthly basis.

The Company maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Company. The insured values and type of cover are comprehensively reviewed on a periodic basis.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Corporate Governance Statement (continued)

The senior management team meets at least quarterly to consider new risks and opportunities presented to the Company, making recommendations to the Board and/or Company Audit, Risk and Compliance Committee as appropriate.

QCA Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Company's Board currently comprises three Non-Executive Directors and three Executive Directors.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Company and intends to meet at least four times a year to set the overall direction and strategy of the Company, to review operational and financial performance and to advise on management appointments. All key operational decisions are subject to Board approval.

Alex Borrelli and Euan Jenkins, all Non-Executive Directors, are considered to be independent. The QCA Code suggests that a board should have at least two independent Non-Executive Directors. The Board considers that the current composition and structure of the Board of Directors is appropriate to maintain effective oversight of the Company's activities for the time being.

Directors receive their fees in the form of a basic cash emolument. The current remuneration structure for the Board's Executive and Non-Executive Directors is deemed to be proportionate.

QCA Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers that the Executive Directors and Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities and bring considerable experience in the operational and financial development of the Company.

The Directors' biographies are detailed on the Company's website www.braddaheadltd.com.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Company.

The Chairman, in conjunction with the Finance Director, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Company, its operational environment and to the Directors' responsibilities as members of the Board.

Directors' service contracts or appointment letters make provision for a Director to seek professional advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

QCA Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Internal evaluation of the Board, the Committees and individual Directors is undertaken on an annual basis in the form of peer appraisal and discussions to determine their effectiveness and performance as well as the Directors' continued independence.

The results and recommendations that come out of the appraisals for the Directors shall identify the key corporate and financial targets that are relevant to each Director and their personal targets in terms of career development and training. Progress against previous targets is also assessed where relevant.

QCA Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees and contractors in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The Executive Management regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Group's day-to-day operations.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Corporate Governance Statement (continued)

QCA Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Role of the Board

The Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Company within an effective control framework which enables risk to be assessed and managed.

The Board ensures that the necessary financial and human resources are in place for the Company to meet its objectives and that business and management performance is reviewed. Furthermore, the Board ensures that the Company operates within its constitution, relevant legislation and regulation and that proper accounting records and effective systems of business control are established, maintained, documented and audited.

There are at least four formal Board meetings each year. All Board members have the benefit, at the Company's expense, of liability insurance in respect of their responsibilities as Directors and have access to independent legal or other professional advice if required. The Board has a formal schedule of matters which are reserved for its consideration and it has established three committees to consider specific issues in greater detail, being the Company Audit, Risk and Compliance, Remuneration and Nomination Committees. The Terms of Reference for each of these Committees are published on the Company's website.

The Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, promoting a culture of openness of debate and communicating with the Company's members on behalf of the Board. The Chairman sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman also ensures that Directors receive accurate, timely and clear information. In doing so, this fosters a positive corporate governance culture throughout the Company.

The Chief Executive Officer

The CEO is responsible for managing the Group's day to day business and operations within the parameters set by the Board.

Non-Executive Directors

The Non-Executive Directors are responsible for bringing independent judgement to the discussions held by the Board, using their breadth of experience and understanding of the business. Their key responsibilities are to constructively challenge and contribute to strategic proposals, and to monitor performance, resources, and standards of conduct, compliance and control, whilst providing support to executive management in developing the Company.

Board Committees

The Board has established a Company Audit, Risk and Compliance Committee ("ARCC"), and a Remuneration Committee with formally delegated duties and responsibilities.

Company Audit, Risk and Compliance Committee

The Company Audit, Risk and Compliance Committee (the "ARCC") meets at least two times each year and is chaired by Alex Borrelli. The external auditors attend by invitation. Its role is to be responsible for reviewing the integrity of the financial statements and the balance of information disclosed in the accompanying Directors' Report, to review the effectiveness of internal controls and risk management systems and recommend to the Board (for approval by the members) the appointment or re-appointment of the external auditor. The ARCC reviews and monitors the external auditor's objectivity, competence, effectiveness and independence, ensuring that if it or its associates are invited to undertake non-audit work it will not compromise auditor objectivity and independence.

Further information can be found within the Company Audit, Risk and Compliance Report contained within this Annual Report.

Remuneration Committee

The Remuneration Committee intends to meet at least once a year and comprises of two Non-Executive Directors. It is chaired by Euan Jenkins and is responsible for determining the remuneration of the Executive Directors, and other members of the management. Committee members do not take part in discussions concerning their own remuneration.

Further information can be found within the Remuneration Report contained within this Annual Report.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Corporate Governance Statement (continued)

Re-election

The Company's Rules require that all Directors are submitted for election at the AGM following their first appointment to the Board. Thereafter all Directors will submit themselves for re-election at least once every three years, irrespective of performance.

Board and committee attendance

The number of formal scheduled Board and committee meetings held and attended by Directors during the year was as follows: -

<i>Name</i>	<i>Board</i>	<i>ARCC</i>	<i>Remuneration</i>
James Mellon	14/14	-	-
Denham Eke	14/14	-	-
Ian Stalker	14/14	0/4	-
Charles FitzRoy	13/14	-	-
Euan Jenkins	14/14	4/4	1/1
Alex Borrelli *	9/9	4/4	1/1

* Attendance since appointment on 7 June 2021

QCA Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company places a high priority on regular communications with its various stakeholders and aims to ensure that all communications concerning the Company's activities are clear, fair and accurate. The Company's website is regularly updated, and users can register to be alerted when announcements or details of presentations and events are posted onto the website.

Notices of General Meetings of the Company can be found here: <https://www.braddaheadltd.com/investor-centre/regulatory-news/>

The results of voting on all resolutions in general meetings are posted to the Company's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

Approval

This report was approved by the Board of Directors and signed on its behalf by:

Denham Eke
Finance Director

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Audit, Risk and Compliance Committee Report

The Directors ensure the Company complies with the provisions of the Quoted Companies Alliance (“QCA”) Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations.

This report illustrates how the Company complies with those principles in relation to its Audit, Risk and Compliance Committee (the “ARCC”).

Membership

The members of the ARCC are Ian Stalker, Alex Borrelli (“AB”) and Euan Jenkins (“EJ”), with AB and EJ being the independent Non-Executive directors, with Alex Borrelli being the Chairman. The composition of the Committee has been reviewed during the year and the Board is satisfied that the Committee members have the relevant financial experience and the expertise to resource and fulfil its responsibilities effectively, including those relating to risk and controls.

Meetings

The Committee meets at least two times a year, including the review of the interim and full year results. Other Directors and representatives from the external auditors attend by invitation.

Duties

The Committee carries out the duties below for the Company, as appropriate:

- Monitors the integrity of the financial statements of the Company, including annual and half-yearly reports, interim management statements, and any other formal announcement relating to financial performance, reviewing significant financial reporting issues and judgements which they contain.
- Reviews and challenges the consistency of the information presented within the financial statements, compliance with stock exchange or other legal requirements, accounting policies and the methods used to account for significant or unusual transactions.
- Keeps under review the effectiveness of the Company’s internal controls and risk management systems.
- Oversee the relationship with the external auditors, KPMG Audit LLC, including meetings when considered appropriate to discuss their remit and review the findings and any issues with the annual audit. It will also review their terms of appointment, and plans to meet them once a year independent of management and will consider and make recommendations to the Board, to be put to the Company for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company’s external auditor. There are no contractual restrictions in place in respect of the auditor choice.
- The Committee is governed by a Terms of Reference and a copy of this is available on the Company’s website.

2022 Annual Report

During the year, ARCC confirms that it has received sufficient, reliable and timely information from management and the external auditors to enable it to fulfil its responsibilities.

The Committee has satisfied itself that there are no relationships between the auditor and the Company which could adversely affect the auditor’s independence and objectivity.

All internal control and risk issues that have been brought to the attention of ARCC by the external auditors have been considered and the Committee confirms that it is satisfied that management has addressed the issues or has plans to do so.

During the year, the Company identified that it had been victim of a sophisticated electronic wire impersonation fraud and is in the process of pursuing recovery of US\$ 600,000 paid to an unidentified party. Following identification of this incident, the ARCC reviewed the Company’s internal payments and approval policies, with changes being implemented to enhance the controls over the review, approval and processing of all payments.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Audit, Risk and Compliance Committee Report (continued)

The Company has a number of policies and procedures in place as part of its internal controls and these are subject to continuous review and as a minimum are reviewed by ARCC on an annual basis.

- ARCC has reviewed and discussed together with management and the external auditor the Company's financial statements for the year ended 28 February 2022 and reports from the external auditor on the planning for and outcome of their reviews and audit. The key accounting issues and judgements considered relating to the Company's financial statements and disclosures were as follows:
 - Carrying amount of capitalised deferred mining and exploration costs, and capitalised licences and permits – US\$ 5,732,820; and
 - Going concern – ARCC reviewed the going concern position of the Company, taking into account the 12-month cash flow forecasts. ARCC is satisfied that preparing the financial statements on a going concern basis is appropriate. Disclosures are included in note 2.

Alex Borrelli
Chairman ARCC

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Report of the Remuneration Committee

As a BVI registered company there is no requirement to produce a Directors' Remuneration Report. However, the Board follows best practice and therefore has prepared such a report.

The Directors have agreed to comply with the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations.

This report illustrates how the Company complies with those principles in relation to Directors' remuneration.

The Level and components of employee remuneration

The Remuneration Policy reflects the Company's business strategy and objectives as well as sustained and long-term value creation for shareholders. In addition, the policy aims to be fair and provide equality of opportunity, ensuring that:

- the Company is able to attract, develop and retain high-performing and motivated employees in the competitive local and wider markets;
- employees are offered a competitive remuneration package to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the Company;
- it reflects the Company's culture and values; and
- there is full transparency of the Remuneration Policy.

In line with the Board's approach, which reflects that adopted within other comparable organisations, the Remuneration Policy provides for the reward of the employees through salary and other benefits.

Executive Director's Emoluments

The remuneration for the Executive Directors reflects their responsibilities. It comprises basic salary, eligibility to participate in an annual bonus scheme when this is considered appropriate, private healthcare and share option incentives.

Annual bonus scheme payments are not pensionable and are not contracted.

As with staff generally, whose salaries are subject to annual reviews, the basic salary payable to the Executive Directors are reviewed each year with reference to jobs carrying similar responsibilities in comparable organisations, market conditions generally and local employment competition in view of the Group's geographical position.

The Committee believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. Options are granted to executives periodically at the discretion of the Remuneration Committee. The grant of share options is not subject to fixed performance criteria. This is deemed to be appropriate as it allows the Committee to consider the performance of the Group and the contribution of the individual executives and, as with annual bonus payments, illustrates the relative importance placed on performance-related remuneration.

The Group does not intend to contribute to the personal pension plans of Directors in the forthcoming year.

Executive Director's Contractual Terms

The service contract of the Executive Directors provides for a notice period of six months.

Non-Executive Directors' Remuneration

Non-Executive Directors do not receive any benefits other than their fees and travelling expenses for which they are reimbursed. The level of fees payable to Non-Executive Directors is assessed using benchmarks from a group of comparable organisations.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Report of the Remuneration Committee (continued)

The Procedure for Determining Remuneration

The Remuneration Committee, comprising two Non-Executive Directors, is responsible for setting the remuneration of the Executive Directors. Committee members do not take part in discussions concerning their own remuneration. The basic Non-Executive Director fee is set by the Chairman. The Chairman of the Committee reports at the Board meeting following a Committee meeting.

It is the view of the Committee that Directors' remuneration awarded across the Company for the year has been in accordance with the Company's stated Remuneration Policy and, on behalf of the Committee I recommend that you endorse this report. An analysis of Directors' emoluments is as follows:

Directors' Emoluments

	Fees US\$	Share based payment remuneration US\$	2022 Total US\$	2021 Total US\$
Executive - salary				
Denham Eke	40,956	-	40,956	-
Charles FitzRoy	149,233	395,750	544,983	-
Non-Executive - fees				
Jim Mellon	30,000	-	30,000	-
Ian Stalker	120,000	900,494	1,020,494	81,496
Alex Borrelli	30,000	-	30,000	-
Euan Jenkins	40,000	-	40,000	40,000
Aggregate emoluments	410,189	1,296,244	1,706,433	121,496

Approval

The report was approved by the Board of directors and signed on behalf of the Board.

Euan Jenkins
Chairman of Remuneration Committee

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Statement of Directors' responsibilities in respect of the Directors' report and the consolidated financial statements

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

The Directors are required to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards, and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing each of the consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Independent Auditor’s Report to the members of Bradda Head Lithium Limited

Our opinion is unmodified

We have audited the consolidated financial statements of Bradda Head Lithium Limited (the “Company”) and its subsidiaries (together, the “Group”), which comprise the consolidated statement of financial position as at 28 February 2022, the consolidated statementS of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

Give a true and fair view, in accordance with International Financial Reporting Standards, of the financial position of the Group as at 28 February 2022, and of the Group’s financial performance and cash flows for the year then ended;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and the terms of our engagement letter. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows:

	The risk	Our response
<p>Impairment of deferred mining and exploration costs</p> <p>US\$ 5,732,820 (Year ended 28 February 2021: US\$ 2,458,739)</p> <p>Refer to page 16, Audit, Risk and Compliance Committee Report, note 3 significant accounting policies and notes 7 and 8 .</p>	<p>Estimation uncertainty</p> <p>The Group capitalises all expenditure incurred directly relating to exploratory activities as deferred mining or exploration costs once a license or permit has been obtained for exploratory activities.</p> <p>This requires judgement in determining whether future economic benefits will arise either from future exploitation or sale of mineral assets. The costs are capitalised to the extent that they do not exceed the estimated economically recoverable amount from mineral interests.</p>	<p><i>Our audit procedures included:</i></p> <p>Control evaluation:</p> <p>We tested the design and implementation of management’s review control over the impairment of deferred mining and exploration costs.</p> <p>Evaluating experts engaged by management:</p> <p>Assessing the independence and competence of the experts engaged by management to assess mineral resource.</p>

Independent Auditor’s Report to the members of Bradda Head Lithium Limited (continued)

	The risk	Our response
<p>Impairment of deferred mining and exploration costs (continued)</p>	<p>Estimation uncertainty (continued)</p>	<p><i>Our audit procedures included (continued):</i></p>
	<p>The costs relate to projects which are at an early stage of exploration and there is no certainty as to whether commercially viable quantities of mineral resources will be discovered, whether the Company will continue its exploration activities in each of its license areas or whether the Group will have sufficient funding to undertake the required exploration activities.</p> <p>Management reviews the carrying values of its deferred mining and exploration costs at least annually and whenever events indicate that their carrying values may exceed their estimated recoverable amounts an impairment loss is recognised.</p>	<p><i>Challenging managements’ assumptions and inputs:</i></p> <p>Assessing the appropriateness of key assumptions and the viability of the mining projects determined by management through comparison to current resource evaluations by the management expert.</p> <p>Assessing the ability of the Group to meet its current exploration commitments and plans for its project areas.</p> <p>Confirming that the Group holds valid exploration permits by agreeing to supporting documentation.</p> <p>Assessing the mineral resource estimates produced during the year by the Company’s management expert for contradictory information to the Group’s plans and intentions.</p> <p>Our work included consideration of events which occurred subsequent to the year end up until the date of this report.</p> <p><i>Evaluating directors’ intent:</i></p> <p>Evaluating the intentions of the directors to continue with proposed mining and exploration activities for the project areas.</p> <p><i>Assessing transparency:</i></p> <p>Assessing the adequacy of the Group’s disclosures (note 7 and 8) in respect of capitalised costs.</p>

Independent Auditor's Report to the members of Bradda Head Lithium Limited (continued)

Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at US\$ 125,000, determined with reference to a benchmark of Group total assets of US\$ 13,354,840, of which it represents approximately 0.9% (2021: 0.9%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the consolidated financial statements as a whole. Performance materiality for the Group was set at 75% (2021: 75%) of materiality for the consolidated financial statements as a whole, which equates to US\$ 94,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding US\$ 6,250, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total group revenue, total group loss before tax, and total group assets and liabilities.

Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to affect the Group and the Company's financial resources or ability to continue operations over this period was the Group's ability to meet its operating costs and planned exploration activities in order to achieve its longer term aims, as it is currently incurring expenditure but not generating revenues.

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 2 to the consolidated financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the consolidated financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

Independent Auditor’s Report to the members of Bradda Head Lithium Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group’s policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group is not yet generating any revenue from its exploration activities. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company’s ability to operate. We determined the principal laws and regulations relevant to the Group and Company in this regard to be those arising from AIM listing rules and local mining and exploration licenses regulation applicable to the subsidiaries.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Independent Auditor's Report to the members of Bradda Head Lithium Limited (continued)

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

We have nothing to report on other matters on which we are required to report by exception

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 20, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

This report is made solely to the Company's members, as a body, in accordance with our terms of engagement as detailed in our letter of 8 March 2022. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinion we have formed.

KPMG Audit LLC

Chartered Accountants

Heritage Court, 41 Athol Street

Douglas, Isle of Man IM1 1LA

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Consolidated Statement of Comprehensive Income

for the year ended 28 February 2022

	Notes	Year ended 28 February 2022 US\$	Year ended 28 February 2021 US\$
Gain on sale	5	2,383,003	-
Unrealised gain/(loss) on investment	13	30,225	(64,753)
		2,413,228	(64,753)
Operating expenses			
General and administrative	4	(3,459,272)	(452,860)
Exceptional cost	4	(600,000)	-
Foreign exchange losses		(231,613)	(52,524)
Share based payments	15	(1,433,749)	(63,051)
Impairment	8	(230,230)	-
Other income		20,000	-
Loss before finance income		(3,521,636)	(633,188)
Finance income		-	1
Finance costs		(32,832)	(88,762)
Loss before income tax		(3,554,468)	(721,949)
Income tax expense	6	-	-
Total loss and total comprehensive loss for the year		(3,554,468)	(721,949)
Loss attributable to:			
Equity shareholders		(3,554,468)	(721,562)
Non-controlling interests		-	(387)
		(3,554,468)	(721,949)
Total comprehensive loss attributable to:			
Equity shareholders		(3,554,468)	(721,562)
Non-controlling interests		-	(387)
		(3,554,468)	(721,949)
Basic and diluted loss per share (cents)	18	(2.855)	(1.113)

The notes on pages 31 to 53 form an integral part of these consolidated financial statements.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Consolidated Statement of Financial Position

as at 28 February 2022

	Notes	28 February 2022 US\$	28 February 2021 US\$
Non-Current assets			
Investment	13	53,957	23,732
Deferred mining and exploration costs	7	4,183,744	1,767,274
Exploration permits and licences	8	1,549,076	691,465
Plant and equipment	12	54,170	-
Advances and deposits	10	88,594	49,313
Total non-current assets		5,929,541	2,531,784
Current assets			
Cash and cash equivalents		7,327,303	86,972
Prepayments and advances and deposits	10	97,996	30,362
Total current assets		7,425,299	117,334
Total assets		13,354,840	2,649,118
Equity			
Share premium	14	23,434,385	9,443,676
Retained deficit		(11,177,220)	(9,056,687)
Foreign currency translation reserve		-	186
Total equity		12,257,165	387,175
Non-Current liabilities			
Related party balances	17	-	1,547,208
Total non-current liabilities		-	1,547,208
Current liabilities			
Trade and other payables	11	1,097,675	214,735
Related party balances	17	-	500,000
Total current liabilities		1,097,675	714,735
Total equity and liabilities		13,354,840	2,649,118

The notes on pages 31 to 53 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and were signed on their behalf by:

Denham Eke
Director

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Consolidated Statement of Changes in Equity

for the year ended 28 February 2022

	Share premium US\$	Retained deficit US\$	Foreign currency translation reserve US\$	Total equity US\$
Balance at 1 March 2021	9,443,676	(9,056,687)	186	387,175
Total comprehensive loss for the year				
Loss for the year	-	(3,554,468)	-	(3,554,468)
Total comprehensive income for the year	-	(3,554,468)	-	(3,554,468)
Transactions with owners of the Company				
Issue of ordinary shares (note 14)	14,404,440	-	-	14,404,440
Capitalised share issue costs	(413,731)	-	-	(413,731)
Equity settled share-based payments (note 15)	-	1,433,749	-	1,433,749
Transfer to retained deficit	-	186	(186)	-
Total transactions with owners of the Company	13,990,709	1,433,935	(186)	15,424,458
Balance at 28 February 2022	23,434,385	(11,177,220)	-	12,257,165

The notes on pages 31 to 53 form an integral part of these consolidated financial statements.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Consolidated Statement of Changes in Equity (continued)

for the year ended 28 February 2022

	Share premium US\$	Retained deficit US\$	Foreign currency translation reserve US\$	Equity attributable to shareholders of the Company US\$	Non - controlling interest US\$	Total US\$
Balance at 1 March 2020	9,353,128	(9,519,559)	186	(166,245)	1,371,770	1,205,525
Total comprehensive loss for the year	-	(721,562)	-	(721,562)	(387)	(721,949)
Loss for the year	-	(721,562)	-	(721,562)	(387)	(721,949)
Total comprehensive income for the year	-	(721,562)	-	(721,562)	(387)	(721,949)
Transactions with owners of the Company						
Issue of ordinary shares (note 14)	90,548	-	-	90,548	-	90,548
Equity contribution to NCI	-	(84,276)	-	(84,276)	84,276	-
Transfer NCI to equity	-	1,205,659	-	1,205,659	(1,455,659)	(250,000)
Equity settled share-based payments (note 15)	-	63,051	-	63,051	-	63,051
Total transactions with owners of the Company	90,548	1,184,434	-	1,274,982	(1,371,383)	(96,401)
Balance at 28 February 2021	9,443,676	(9,056,687)	186	387,175	-	387,175

The notes on pages 31 to 53 form an integral part of these consolidated financial statements.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Annual report and consolidated financial statements for the year ended 28 February 2022

Consolidated Statement of Cash Flows

for the year ended 28 February 2022

	Notes	Year ended 28 February 2022	Year ended 28 February 2021
		US\$	US\$
Cash flows from operating activities			
Loss before income tax		(3,554,468)	(721,949)
<i>Adjusted for non-cash and non-operating items:</i>			
Depreciation	12	1,548	-
Unrealised loss/(profit) on investment	13	(30,225)	64,753
Finance income		-	(1)
Non-cash interest expense		32,832	88,762
Equity settled share based payments expense	15	1,433,749	63,051
Impairment of deferred mining and exploration costs and licences and permits	7, 8	230,230	70,578
Unrealised FX adjustment on convertible loan note		-	51,990
Shares issued to Directors in lieu of Directors fees	14	-	90,548
Deferred mine exploration and licence and permit costs written off	7, 8	116,997	-
		(1,769,337)	(292,268)
Change in trade and other receivables		(106,913)	(18,436)
Change in trade and other payables		1,068,414	(75,530)
Net cash flows from operating activities		(807,836)	(386,234)
Cash flows from investing activities			
Amounts paid for deferred mining and exploration costs		(2,501,853)	(30,399)
Amounts paid for licences and permits		(1,119,455)	(145,035)
Interest received		-	1
Plant and equipment purchased		(55,718)	-
Net cash flows from investing activities		(3,677,026)	(175,433)
Cash flows from financing activities			
Related party loans received		60,000	673,086
Related party loans settled		(20,000)	-
Cash paid to acquire NCI	9	-	(250,000)
Cash received from share issues		12,098,924	-
Share issue commissions paid		(413,731)	-
Net cash flows from financing activities		11,725,193	423,086
Increase/(decrease) in cash and cash equivalents		7,240,331	(138,581)
Cash and cash equivalents at beginning of year		86,972	225,553
Cash and cash equivalents at end of year		7,327,303	86,972
Effect of movements in exchange rates		(203,562)	-
Cash balances at end of year		7,123,741	86,972

The notes on pages 31 to 53 form an integral part of these consolidated financial statements.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report and consolidated financial statements for the year ended 28 February 2022

1 Reporting Entity

Bradda Head Lithium Limited (the “Company”) is a company domiciled in the British Virgin Islands. The address of the Company’s registered office is Craigmuir Chambers, Road Town, Tortola, British Virgin Islands. The Company and its subsidiaries together are referred to as the “Group”.

Bradda Head Lithium Limited is a lithium exploration Group focused on developing its projects in the USA. On 14 September 2021, the Company changed its name from Bradda Head Holdings Limited to Bradda Head Lithium Limited.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

Functional and Presentation Currency

The consolidated financial statements of the Group are presented in US Dollars (US\$). All financial information presented in US Dollars has been rounded to the nearest dollar.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant estimates and assumptions include those related to recoverability of mineral properties and determination as to whether costs are expensed or deferred.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable mineral reserves. Including whether a commercially feasible means of extraction from clay deposits is established. The recoverability of carrying amounts for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the financing necessary to complete exploration and development, and the success of future development of the properties. It is also dependent on all claims being properly legally established.

Judgement is required in applying the Company’s accounting policy for exploration and evaluation assets in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review when assessing impairment. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised is written off to profit and loss in the period when the new information becomes available. In situations where indicators of impairment are present for the Company’s exploration and evaluation assets, estimates of recoverable amount must be determined as the higher of the estimated value in use or the estimated fair value less costs to sell. Refer to notes 3, 7 and 8.

Impact of Ukraine conflict on the financial statements

The Directors have considered the ongoing conflict in Ukraine, and its impact on the Group’s operations and information included in these financial statements. The Group’s operations are largely based in the USA, which currently has seen no direct impact due to the conflict. The Directors are aware of increases in global oil and gas prices, which could have an impact on fuel and electricity prices in the USA, and knock-on price impacts on the Group’s USA based suppliers and contractors. Management is in regular communication with suppliers and contractors, and no significant impact has been seen relating to this.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

2 Basis of preparation (continued)

Going concern

The Group is in a net asset position of US\$ 12,257,165 as at 28 February 2022 (28 February 2021: US\$ 387,175). Given the early exploration stage of the Group's projects, the Group is not yet generating any revenue and is incurring expenditure in progressing its exploration work. Accordingly, the Group incurred a loss attributable to equity shareholders of US\$ 3,554,468 for the year ended 28 February 2022 (28 February 2021: loss of US\$ 721,949). As at 28 February 2022, the Group had cash balances of US\$ 7,327,303 (2021: US\$ 86,972)

Further expenditure will be necessary in order for the Group to progress the projects to a stage where their feasibility can be assessed and where they may potentially be able to ultimately generate revenue, if economically viable. Continued operations of the Group and further progressing its exploration and evaluation activities is dependent on the Company's ability to obtain additional financing and generate profitable operations in the future.

Following the successful completion of the IPO and raising of the target funds, and an additional fundraise completed during April 2022, the Group expects to have sufficient cash resources to be able to complete its planned exploration programmes, and meet any operational expenditures as they fall due, for a period of at least 12 months from the date of signing the financial statements. Adjustments can be made to the Group's exploration expenditure, based on results of its exploration activities and cash resource levels, with the level of exploration activities and related expenditure being full controllable by the Company.

Based on forecasts prepared by Directors, they believe it remains appropriate to prepare the financial statements on a going concern basis, taking into consideration the level of cash held by the Group. The Directors have a reasonable expectation that the Group will have adequate resources for its continuing existence and projected activities for the foreseeable future, and for these reasons, continue to adopt the going concern basis in preparing the financial statements for the year ended 28 February 2022.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities for the period ended 28 February 2022.

Basis of consolidation

The consolidated financial statements for the year ended 28 February 2022 incorporate the financial information of the Company and entities controlled by the Company (its "subsidiaries"). The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the date on which control is obtained, and up to the date control is lost.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

3 Significant accounting policies (continued)

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets which are generally at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is adjusted for the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

Transactions in foreign currencies are translated into functional currency based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated into functional currency at the exchange rate prevailing at the reporting date. Gains or losses arising from foreign currency transactions are recognised in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined or if measured at historical cost are translated using the exchange rate at the date of transaction.

Consolidation of foreign operations

The assets and liabilities of foreign operations are translated to US Dollars at exchange rates at the reporting date while income and expenses are translated at exchange rates at date of transactions although if not practically available, the average rate for the period is used.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

3 Significant accounting policies (continued)

Deferred mine exploration costs

The Group deems that all expenditure incurred in the country of the project, directly relating to exploratory activities, in addition to the acquisition costs of an existing, granted exploration permit or license, is capitalisable as deferred mine costs once a license or permit has been obtained for exploratory activities. Pre-license costs are expensed in the period in which they are incurred. License costs paid in connection with a right to explore in an existing exploration area are capitalised.

Exploration expenditures relate to the initial search for mineral deposits with economic potential as well as expenditures incurred for the purposes of obtaining more information about existing mineral deposits. Exploration expenditures typically comprise costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies;
- exploratory drilling and sampling for the purposes of obtaining core samples and the related metallurgical assay of these cores; and
- drilling to determine the volume and grade of deposits in an area known to contain mineral resources or for the purposes of converting mineral resources into proven and probable reserves.

The assessment of probability is based on the following factors: results from previous drill programmes; results from a geological study; results from a mine scoping study confirming economic viability of the resource; and preliminary estimates of the volume and grade of the deposit, and the net cash flows expected to be generated from its development. The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether future economic benefits will arise either from future exploitation, or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Deferred mine exploration cost are capitalised to the extent that they do not exceed the estimated economically recoverable amount from mineral interests. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established.

Estimates and assumptions made may change if new information becomes available. If after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of comprehensive income in the period when the new information becomes available. Management reviews the carrying values of its deferred mine exploration costs at least annually and whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognised when the carrying value of those assets is not recoverable and exceeds their fair value.

These costs are carried forward provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has not expired during the period or will expire in the near future, and is expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is either budgeted or planned;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

3 Significant accounting policies (continued)

Deferred mine exploration costs (continued)

Upon reaching commercial production, these capitalised costs will be transferred from development properties to producing properties on the Consolidated Statement of Financial Position and will be amortised using the unit-of-production method over the estimated period of economically recoverable reserves.

Exploration permits

Exploration permits acquired by way of an asset acquisition or business combination are recognised if the asset is separable or arises from contractual or legal rights. On acquisition of a mineral property in the exploration stage, an estimate is prepared of the fair value attributable to the exploration potential, including mineral resources, if any, of that property. The fair value of the exploration permits is recorded as an intangible asset (acquired exploration permits) as at the date of acquisition. When an exploration stage property moves into development, any acquired exploration intangible asset balance attributable to that property is transferred to non-depreciable mining interests within property, plant and equipment. Impairment testing and the reversal of impairments are conducted in accordance with the accounting policy adopted for deferred mine exploration costs.

Mineral property expenses

Mineral property expenses are costs incurred that do not qualify for capitalisation and are therefore expensed to the profit or loss as incurred. These include payments for costs incurred prior to obtaining licenses.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Measurement

Financial instruments are initially measured at fair value, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Trade and other receivables

Trade and other receivables are stated at amortised costs using the effective interest method less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised costs and are due on demand.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised costs using the effective interest method.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Fair value of financial instruments

The Company determines fair values using other valuation techniques in compliance with IFRS9: Financial Instruments, IFRS13: Fair Value Measurement, and based on the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”).

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; or
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Share premium

Ordinary shares are classified as equity. The ordinary shares of the Company have a nil par value. As such all proceeds received for the issue of shares has been credited to share premium. Proceeds from the exercise of stock options or conversion of share purchase warrants are recorded in share premium at the amount received on exercise or conversion. Commissions paid to underwriters or agents and other related share issue costs, such as legal, accounting and printing, are charged to share premium.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is calculated using the Black-Scholes option pricing model (where no fair value of the service or assets provided is evident). The fair value determined at the grant date of the equity settled share-based payment is expensed based on the vesting period and based on the Company's estimate of the number of shares that will eventually vest.

On determining fair values, terms and conditions attaching to the instruments are taken into account. Management is also required to make certain assumptions and estimates regarding such items as the life of instruments, volatility and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being exploration for lithium in the USA. Information presented to the Board of Directors for the purpose of decision making is based on this single segment.

Property and equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets commences when the asset is available for use. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Owned vehicles – 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Gain on sale of mining interest

The Group may monetise its future revenue streams by entering into royalty agreements with investment companies for a given percentage royalty. This transaction represents a disposal of a portion of the relevant mineral interest which is subject to the royalty, which is represented by deferred mine exploration costs and exploration permits and licences in the financial statements.

Where the consideration in exchange for the sale of the interest is variable, the IFRS 15 variable consideration guidance is applied and the consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of revenue will not occur ('the constraint').

A gain/loss on the sale is recognised in profit or loss.

Royalty payments due, under the royalty agreements, are recognised as a reduction of revenue as amounts become due and payable.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the current period ended, and have not been applied in preparing these consolidated historical financial statements:

<i>New/revised International Accounting Standards / International Financial Reporting Standards ("IAS/IFRS")</i>	<i>Effective date (accounting periods commencing on or after)</i>
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018 – 2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

4 General and administrative and exceptional cost

The Group's general and administrative expenses include the following:

	Year ended 28 February 2022 US\$	Year ended 28 February 2021 US\$
Auditors' fees	134,042	24,243
Directors and management fees and salaries	430,667	250,162
Legal and accounting	667,392	15,716
Contractor costs	1,131,515	13,045
Professional and marketing costs	802,454	-
Other administrative costs	293,202	149,694
Total	3,459,272	452,860

Exceptional cost

The Company has been victim of a sophisticated electronic wire impersonation fraud and is in the process of pursuing recovery of US\$ 600,000 paid to an unidentified party. All relevant law enforcement agencies have been notified and the matter is currently the subject of an active investigation.

5 Gain on sale

On 21 December 2021, the Company completed a royalty agreement with the Lithium Royalty Corporation ("LRC"). Key terms of the royalty agreement are:

- LRC has been granted a 2% gross overriding royalty (GOR) over Bradda Head's sedimentary lithium claims in Arizona (Wikieup project and Basin project) leaving the Company's pegmatite and brine projects unencumbered;
- LRC has paid to the Company upon closing the sum of US\$2.5 million for granting of the Royalty;
- LRC will pay to the Company an additional US\$2.5 million upon the Company publicly reporting a 1 million tonne lithium carbonate equivalent (LCE) Mineral Resource with a minimum lithium grade of 800 parts per million (ppm);
- LRC will pay to the Company an additional US\$3 million upon the Company publicly reporting a 2.5 million tonne LCE Mineral Resource with a minimum lithium grade of 800ppm.

In addition, LRC has also subscribed for US\$2 million of new ordinary shares (along with US\$0.5 million via a further subscription from a LRC director) alongside the royalty closing. See note 14 for details.

Reconciliation of gain on sale

	Year ended 28 February 2022 US\$
Initial proceeds received from royalty sale	2,500,000
Less: Deferred mine exploration costs disposal (note 7)	(85,383)
Less: Exploration permits and licences disposal (note 8)	(31,614)
	2,383,003

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

6 Taxation

Income tax

The British Virgin Islands under the International Business Companies Act 2004 imposes no corporate taxes or capital gains taxes.

Zenolith USA LLC, Gray Wash LLC and Verde Grande LLC are Delaware (USA) limited liability companies that have elected to be taxed as standard corporations. To date, these companies have been loss making and therefore no corporation tax is applicable.

The maximum deferred tax asset that could be recognised at year end is approximately US\$ 478,138 (2021: US\$ 209,777). The Group has not recognised any asset as it is not reasonably known whether the Group will recover such deferred tax assets.

7 Deferred mine exploration costs

The schedule below details the current projects of the Group and the related exploration costs capitalised:

	Total US\$
Cost and net book value	
At 29 February 2020	1,741,288
Capitalised during the year	30,399
Impairment	(4,413)
At 28 February 2021	1,767,274
Capitalised during the year	2,501,853
Disposal under royalty agreement *	(85,383)
At 28 February 2022	4,183,744
Cost and net book value	
At 28 February 2022	4,183,744
At 28 February 2021	1,767,274

* In terms of the LRC royalty agreement, the Company has sold a 2% royalty on future sales from its lithium clay assets. The Company has effectively sold 2% of its capitalised deferred mine exploration costs to date, with this adjustment being recorded to reflect this. See note 5 and 14.

All the deferred mining and exploration expenditure has been incurred by Zenolith USA LLC, a subsidiary of Bradda Head Limited. See notes 8 and 9.

Deferred mine exploration costs ("DMEC") represent intangible assets. Refer to note 8 for details on explorations permits and licences held.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest, as well as maintaining the assets in good standing. The Group assessed the DMEC relating to areas for which licenses and permits are held, for impairment as at 28 February 2022.

The Board reviewed the projects held and concluded that no facts and circumstances have been identified which suggest the recoverable amount of these assets would not exceed the carrying amount and, as such, no impairment was recognised.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

8 Exploration permits and licences

The schedule below details the current projects of the Group and the related exploration permit and licence costs capitalised:

	Total US\$
Cost and net book value	
At 29 February 2020	612,595
Capitalised during the year	145,035
Impairment	(66,165)
At 28 February 2021	691,465
Capitalised during the year	1,119,455
Disposal under royalty agreement *	(31,614)
Impairment	(230,230)
At 28 February 2022	1,549,076
Cost and net book value	
At 28 February 2022	1,549,076
At 28 February 2021	691,465

* In terms of the LRC royalty agreement, the Company has sold a 2% royalty on future sales from its lithium clay assets. The Company has effectively sold 2% of its capitalised deferred mine exploration costs to date, with this adjustment being recorded to reflect this. See note 5 and 14.

The licences and permits are held through indirect subsidiaries of the Company. See note 9.

The Group assessed the carrying amount of the licences and permits held for impairment as at 28 February 2022. Upon review, it was identified that certain projects showed signs of impairment as the relevant project licences and permits were not renewed, and thus an impairment charge of US\$ 230,230 was recognised during the year ended 28 February 2022.

The Board reviewed the rest of the projects held and concluded that no facts and circumstances have been identified which suggest the recoverable amount of these assets would not exceed the carrying amount and, as such, no impairment was recognised.

USA

The USA exploration permits and licences are held by Zenolith (USA) LLC ("Zenolith"), Gray Wash LLC and Verde Grande LLC, subsidiaries of Bradda Head (see note 9). Zenolith holds licences and permits over land in the states of Nevada and Arizona, USA, which provide Zenolith with exclusive rights to explore for lithium. Gray Wash and Verde Grande hold licences over land in the state of Arizona.

9 Investment in subsidiary undertakings

As at 28 February 2022 and 28 February 2021, the Group had the following subsidiaries:

Name of company	Place of incorporation	Ownership interest	Principal activity
Bradda Head Limited*	BVI	100%	Holding company of entities below
Zenolith (USA) LLC	USA	100%	Holds USA lithium licences and permits
Verde Grande LLC	USA	100%	Holds USA lithium licences and permits
Gray Wash LLC	USA	100%	Holds USA lithium licences and permits
Minera Salmuera, S.A. de C.V.	Mexico	100%	In process of being liquidated

* Held directly by the Company. All other holdings are indirectly held through Bradda Head Limited

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

9 Investment in subsidiary undertakings (continued)

The consolidated financial statements include the results of the subsidiaries from the date that control is obtained to 28 February 2022, and up to the date that control ceases.

On 11 January 2021, the Company and Zenith Minerals Limited mutually terminated the Farm-In Agreement. From this date, Bradda Head holds a 100% interest in Zenolith USA LLC. The terms of the transaction included:

- US\$ 250,000 cash payment;
- Issuance of 11,741,540 ordinary shares in the Company; and
- Zenith to hold anti-dilution protection, to maintain a 15% in the Company, for a period ending on the earlier of 24 months from the date of the transaction, or the business day immediately after the Company completes an initial public offering.

The effect of the transaction is that the Company acquired the 45% in Zenolith held by non-controlling interests. Following this, there is no NCI to be recognised by the Company. The balance of NCI prior to the transaction has been transferred within equity. The cash consideration of US\$ 250,000 has been recorded as a deduction in equity.

10 Prepayments and advances and deposits

Non-current

	28 February 2022	28 February 2021
	US\$	US\$
Advances and deposits	88,594	49,313

Current

	28 February 2022	28 February 2021
	US\$	US\$
Prepayments	97,996	30,362
	97,996	30,362

11 Trade and other payables

	28 February 2022	28 February 2021
	US\$	US\$
Accounts payable	1,019,175	153,878
Accrued expenses and other payables	78,500	60,857
	1,097,675	214,735

12 Plant and equipment

	Motor vehicle	Total
	US\$	US\$
Cost		
As at 1 March 2021	-	-
Additions during the year	55,718	55,718
As at 28 February 2022	55,718	55,718

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

12 Plant and equipment (continued)

	Motor vehicle US\$	Total US\$
<i>Accumulated depreciation</i>		
As at 1 March 2021	-	-
Depreciation charge for the year	(1,548)	(1,548)
	<hr/>	<hr/>
As at 28 February 2022	(1,548)	(1,548)
	<hr/> <hr/>	<hr/> <hr/>
Carrying amount		
As at 28 February 2022	54,170	54,170
As at 28 February 2021	-	-
	<hr/> <hr/>	<hr/> <hr/>

13 Investment

On 1 July 2011, the Company acquired, by way of private placement, a strategic investment in Crazy Horse Resources Inc. (which changed its name to Rockwealth Resources Inc (“RWR”)), a copper and gold company traded on the TSX Venture Exchange, which owns the Taysan Project, an advanced copper gold porphyry deposit located 100 km south of Manila in the Philippines. On 6 December 2021, RWR changed its name to Strathmore Plus Energy Corp.

As at 28 February 2022, the Company holds 249,688 shares in RWR (2021: 249,688 shares).

This investment is classified as financial asset at fair value through profit or loss. For valuation purposes, it was valued using the closing bid price as at the reporting period.

	28 February 2022	28 February 2021
Total number of shares held	249,688	249,688
	<hr/>	<hr/>
	US\$	US\$
Market value of investment at closing bid price	53,957	23,732
Total cost	(5,861,409)	(5,861,409)
	<hr/>	<hr/>
Unrealised loss on investment	(5,807,452)	(5,837,677)
	<hr/> <hr/>	<hr/> <hr/>

In line with IFRS13: Fair Value Measurement, and based on the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”), the investment held is considered to be level 2 in the fair value hierarchy, due to there being a lack of an active market for the traded shares.

The unrealised loss on the investment in RRC charged to the Consolidated Statement of Comprehensive Income and movement in investment fair value is as follows:

	US\$
Balance at 29 February 2020	88,485
Change in fair value	(64,753)
	<hr/>
Balance at 28 February 2021	23,732
	<hr/> <hr/>
Change in fair value	30,225
	<hr/>
Balance at 28 February 2022	53,957
	<hr/> <hr/>

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

14 Share premium

Authorised

The Company is authorised to issue an unlimited number of nil par value shares of a single class.

	Shares	Share capital US\$	Share premium US\$
Issued ordinary shares of US\$0.00 each			
At 29 February 2020	62,065,261	-	9,353,128
Issued in lieu of Directors fees (note 17)	1,233,481	-	90,548
Issued to acquire non-controlling interest (see note 9)	11,741,540	-	-
At 28 February 2021	75,040,282	-	9,443,676
Shares issued for cash	158,499,941	-	12,098,924
Shares issued to settle loans	48,618,529	-	2,159,722
Shares issued in lieu of Directors fees	3,037,362	-	145,794
Shares issued to Zenith Minerals Limited	32,217,765	-	-
Share issue costs capitalised	-	-	(413,731)
At 28 February 2022	317,413,879	-	23,434,385

On 21 May 2021, the Company completed a pre-IPO fundraise, issuing 21,420,824 ordinary shares for gross proceeds of US\$ 1,028,199.

On 19 July 2021, the Company completed a successful IPO on the London AIM stock exchange. The Company raised gross proceeds of £6.2m and issuing 112,727,273 ordinary shares.

In line with the agreement entered into with Zenith Minerals Limited (“Zenith”), shares were issued to Zenith to maintain their shareholding at 15%. A total of 32,217,765 ordinary shares were issued to Zenith. Following the listing of the Company’s shares on AIM on 19 July 2021, the anti-dilution protection held by Zenith ceased on any new issues of shares.

On 22 December 2021, the Company issued 19,481,475 to Lithium Royalty Corporation (“LRC”) for a consideration of US\$2 million. The share issue was in line with the terms of a royalty agreement entered into with LRC. See note 5. Alongside the LRC subscription, a Director of LRC has invested along the same terms, subscribing for 4,870,369 new ordinary shares for total consideration of US\$0.5 million.

During the year, loans due to Galloway Limited were settled by issuing ordinary shares. Refer to note 17 for details.

Director fees totaling \$145,794 (28 February 2021: US\$ 90,548) were settled by issuing 3,037,362 ordinary shares, in lieu of cash settlement.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

15 Equity settled share based payments

The cost of equity settled transactions with certain Directors of the Company and other participants ("Participants") is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the Black-Scholes option pricing model.

During the year, outstanding fees due to Directors totalling US\$ 145,794 (2021: US\$ 90,548) were settled by the issue of 3,037,362 ordinary shares. The fair value of the shares issued was based on the most recent available share price, being US\$ 0.048 per ordinary share.

The total number of share options and warrants in issue as at the period end is set out below.

Recipient	Grant Date	Term in years	Exercise Price	1 March 2021 (audited)	Issued	Lapsed	Exercised	28 February 2022	Expensed in the year	Fair value
									US\$	US\$
Directors and Participants	April 2018	5	US\$ 0.15668	1,606,304	-	-	-	1,606,304	8,231	24,028
Directors and Participants	June 2021	5	US\$ 0.048	-	18,000,000	-	-	18,000,000	1,110,556	1,110,556
Directors and Participants	September 2021	5	£0.09	-	4,000,000	-	-	4,000,000	314,962	314,962
				<u>1,606,304</u>	<u>22,000,000</u>	<u>-</u>	<u>-</u>	<u>23,606,304</u>	<u>1,443,749</u>	<u>1,449,546</u>

Recipient	Grant Date	Term in years	Exercise Price	1 March 2020	Issued	Lapsed/cancelled/expired	Exercised	28 February 2021	Expensed in the year	Fair value
			US\$						US\$	US\$
Directors and Participants	April 2018	5	0.15668	5,987,034	-	(4,380,757)	-	1,606,277	63,051	24,028
				<u>5,987,034</u>	<u>-</u>	<u>(4,380,757)</u>	<u>-</u>	<u>1,606,277</u>	<u>63,051</u>	<u>24,028</u>

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

15 Equity settled share based payments (continued)

The amount expensed in the income statement has been calculated by reference to the grant date at a fair value of the equity instrument and the estimated number of equity instruments to be issued after the vesting period.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans are as follows:

April 2018 options

	<i>Award date and exercise price</i>
Fair value at grant date	US\$ 0.04240
Exercise price	US\$ 0.15668
Weight average expected volatility	27.45%
Weighted average expected life (years)	5
Expected dividends	Nil
Risk-free interest rate (based on comparable companies)	1.52%

Terms of the issued options are as follows:

- 1,460,252 options with a 3-year vesting period, with 1/3 vesting on admission to a recognised stock exchange, 1/3 vesting on the first anniversary and 1/3 vesting on the second anniversary of admission. All un-exercised options expire after a period of 5 years from admission date. It is assumed that options are exercised within 5 years from date of grant. The applied volatility is based on historical volatility.
- 146,025 options have been granted that vest 100% on grant date. The full fair value of these options has been expensed to the profit and loss account.

June 2021 options

	<i>Award date and exercise price</i>
Fair value at grant date	US\$ 0.0351
Exercise price	US\$ 0.0480
Weight average expected volatility	21.20%
Weighted average expected life (years)	5
Expected dividends	Nil
Risk-free interest rate (based on comparable companies)	1.52%

Terms of the issued options are as follows:

- 18,000,000 options have been granted that vest fully on grant date. All un-exercised options expire after a period of 5 years from admission date. It is assumed that options are exercised within 5 years from date of grant. The applied volatility is based on historical volatility.

September 2021 options

	<i>Award date and exercise price</i>
Fair value at grant date	£0.014
Exercise price	£0.090
Weight average expected volatility	25.60%
Weighted average expected life (years)	5
Expected dividends	Nil
Risk-free interest rate (based on comparable companies)	1.52%

Terms of the issued options are as follows:

- 4,000,000 options have been granted that vest fully on grant date. All un-exercised options expire after a period of 5 years from admission date. It is assumed that options are exercised within 5 years from date of grant. The applied volatility is based on historical volatility.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

16 Financial instruments

Financial risk management

The Company has risk management policies that systematically review the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

The Company's principal financial instruments consist of cash, receivables and payables arising from its operations and activities. The main risks arising from the Company's financial instruments and the policies for managing each of these risks are summarised below.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by the Company by means of cash flow planning to ensure that future cash requirements are anticipated. All liabilities are due within one month and all cash maintained in call accounts. To date the Company has relied upon equity funding to finance operations. The carrying amount of financial assets and liabilities reported in the consolidated statement of financial position represents the maximum exposure to liquidity risk. Management is confident that adequate resources are available to meet current obligations. See note 2(b) in respect of the Board's going concern assessment, and note 19 regarding exploration commitments.

The residual undiscounted contractual maturities of financial liabilities are as follows:

28 February 2022

	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$	Over 5 years US\$
Trade and other payables	1,097,675	-	-	-	-

28 February 2021

	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$	Over 5 years US\$
Related party balances	-	-	500,000	1,547,208	-
Trade and other payables	214,735	-	-	-	-
	214,735	-	500,000	1,547,208	-

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

16 Financial instruments (continued)

Financial risk management (continued)

Credit risk

Credit risk is the risk of loss associated with the counter-party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables and cash balances with the maximum exposure being the reported balance in the statement of financial position. The Company holds available cash with licensed banks which have strong history. The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. All funds are available on demand.

The receivables are actively monitored to avoid significant concentration of credit risk and the Directors consider there to be no significant concentration of credit risk.

Interest rate exposure

Interest rate risk is the risk that the Company will sustain losses through adverse movements in interest bearing assets or liabilities; however, it is the Directors' opinion that the Company is not significantly exposed to interest rate risk. Any interest-bearing liabilities carry fixed interest rates and are not exposed to interest rate fluctuations.

Market price risk

Equity price risk arises from financial assets at fair value through profit or loss due to uncertainties about future values of the instrument. The investment at period end represents an interest held in the share capital of RRC, a copper and gold company traded on the TSX Venture Exchange. The performance of this investment is monitored and reviewed by management on a regular basis. As at 28 February 2022, the fair value of equity security exposed to price risk was US\$ 53,957 (2021: US\$ 23,731). A 5% increase or decrease in the fair value of this listed investment, with all other variables constant, would have increased/decreased consolidated profit or loss and equity by US\$ 2,698 (2021: US\$ 1,187).

Foreign exchange risk

The Group was exposed to foreign currency risk on fluctuations related to financial assets and liabilities that are denominated in Pounds (GBP) and Mexican Peso (MXN). The amounts exposed to foreign currency risk are as follows (in currency balance):

28 February 2022	Cash	GBP	
	Accounts receivable	448,661	
			-
			=====
28 February 2021	Cash	GBP	MXN
	Accounts receivable	2,141	-
		-	75,397
		=====	=====

The impact of 10% strengthening of the GBP against the US Dollar to total comprehensive income/loss is set-out below. A 10% weakening in these currencies would have had the equal but opposite effect, on the basis that all other variables remain constant.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

16 Financial instruments (continued)

Financial risk management (continued)

	28 February 2022	28 February 2021
US Dollars against:	US\$	US\$
GBP	60,824	280
MXN	-	391
	<u> </u>	<u> </u>

There is no other impact on the Company's equity other than those already affecting the consolidated statement of comprehensive income/(loss).

Political risks

The Company's operations are subject to laws and regulations governing exploration activities. While the Company believes that it is in substantial compliance with all material current laws and regulations affecting its activities, future changes in laws and regulations could result in changes in legal requirements or in the terms of existing agreements applicable to the Company which could have a material adverse impact on the Company's current operations or planned implementation of its strategy.

Accounting classifications and fair value

Financial instruments comprise cash and trade and other receivables (classified as loans and receivables), accounts payable and accrued expenses (classified as trade and other payables), investments and convertible loan notes and working capital loan advances (classified as related party balances). The carrying amounts of loans and receivables and trade and other payables, reported in the consolidated statement of financial position, approximate their fair values due to the short-term nature of these accounts.

The related party balances consist of convertible loan notes, which have fixed interest rates and specified repayment terms and conditions. These have been classified as non-current. The convertible loan notes accrue interest, with the rate being charged considered to be similar to market related rates for similar type instruments. Fair value is therefore considered to approximate the carrying value of these instruments.

The working capital loan facility has a repayment term of one year, and has therefore been classified as a current asset.

Financial liabilities not measured at fair value

	<i>Carrying amount, measured at amortised cost</i>	
	28 February 2022	28 February 2021
	US\$	US\$
Related party balances	-	2,047,208
Trade and other payables	1,097,675	214,735
	<u> </u>	<u> </u>
	1,097,675	2,261,943
	<u> </u>	<u> </u>

The fair value of investments is based on available market price data, taking into account the liquidity of the listed securities.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

16 Financial instruments (continued)

Capital Management

The Company manages its capital to maximise the return to the shareholders through the optimisation of equity. The capital structure of the Company at 28 February 2022 consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed.

The Company manages its capital structure and makes adjustments to it, in light of economic conditions and the strategy approved by shareholders. To maintain or adjust the capital structure, the Company may adjust any dividend payment to shareholders, return capital to shareholders or issue new shares and release the Company's share premium account. No changes were made in the objectives, policies or processes during the years ended 28 February 2022.

17 Related party transactions and balances

Key management personnel

The Directors of the Company received the following remuneration during the year:

	US\$	28 February 2022 US\$	US\$
	Fees and salary	Share-based payment remuneration	Total
Charles FitzRoy	149,233	395,750	544,983
Ian Stalker	120,000	900,494	1,020,494
Euan Jenkins	40,000	-	40,000
Denham Eke	40,956	-	40,956
Jim Mellon	30,000	-	30,000
Alex Borrelli	30,000	-	30,000
	<u>410,189</u>	<u>1,296,244 *</u>	<u>1,706,433</u>

* The fair value of the options issued has been determined in line with the requirements of IFRS. Refer to note 3 and 15 for the basis of calculation.

	US\$	28 February 2021 US\$	US\$
	Fees and salary	Share-based payment remuneration	Total
John McGodrick *	128,666	32,733	161,399
Ian Stalker **	81,496	-	81,496
Euan Jenkins	40,000	-	40,000
	<u>250,162</u>	<u>32,733</u>	<u>282,895</u>

* During the year, US\$ 56,533 worth of director fees due was settled in shares.

** During the year, US\$ 34,015 worth of director fees due was settled in shares.

As at 28 February 2022, Director's remuneration of US\$ Nil was outstanding (2021: US\$ 116,667).

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

17 Related party transactions and balances (continued)

The Directors hold the following number of shares in the Company as at 28 February 2022:

	28 February 2022			28 February 2021		
	Number	% of issued share capital	Options held	Number	% of issued share capital	Options held
James Mellon	64,145,176	20.21%	-	14,263,407	19.00%	-
Denham Eke	124,307	0.04%	-	124,307	0.16%	-
Ian Stalker	3,616,267	1.14%	14,250,000	819,861	1.09%	-
Charles FitzRoy	11,091	0.003%	6,000,000	-	-	-
Euan Jenkins	2,055,454	0.65%	-	-	-	-
Alex Borrelli	315,649	0.10%	-	-	-	-
	70,267,944	22.143%	20,250,000	15,207,575	20.25%	-

Burnbrae Limited

The Company and its subsidiary, Bradda Head Limited, entered into service agreements with Burnbrae Limited (“Burnbrae”) for the provision of administrative and general office services. Denham Eke and James Mellon are Directors of both Burnbrae Limited and the Company. James Mellon indirectly owns Burnbrae Limited. A monthly fee of £3,500 is charged by Burnbrae, for the provision of the services. The service agreement was terminated effective from 31 May 2021.

During the year ended 28 February 2022, the Group incurred costs of US\$ 47,065 (2021: US\$ 22,875) under these agreements, of which US\$ Nil was outstanding as at the year-end (2021: US\$ 30,612).

Galloway Limited

On 16 August 2019, the Company entered into a Convertible Loan Agreement (“Loan”) with Galloway Limited (“Galloway”), to the value of US\$ 350,000. The Loan has a repayment date of 31 December 2019, and carries interest at a rate of 10% per annum. On 13 December 2019, the repayment date was extended to 31 December 2024. The Loan shall automatically be converted into shares in the capital of the Company on Admission at the Issue Price.

On 09 December 2019, the Company entered into a Convertible Loan Note (“CLN”) agreement with Galloway, to the value of £650,000. The CLN has a maturity date of 30 April 2020, and carries interest at a rate of 5% per annum. On 1 October 2020, the repayment date was extended to 31 December 2024. The CLN is to be converted into ordinary shares of the Company on the occurrence of either (i) a sale of the entire issued share capital of the Company (ii) a listing of the Company’s shares or (iii) upon completion of a fundraising of \$1,000,000 or more in a single fundraising round. The number of shares to be issued upon conversion is determined as follows:

- On a fund raising a price per share being a 20% discount to the price per share paid by the investors on the Fund Raising; or
- On a share sale, a price per Share being a 20% discount to the price per share paid on the share sale; or
- On a listing, including by way of reverse takeover, a 20% discount to the price at which the shares are proposed to be admitted to listing (or the implied price per share paid by a buyer in the case of a reverse takeover); or
- In the event there is no eligible fund raising, or share sale or no listing by the maturity date the default price, being US\$ 0.05 per share.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

17 Related party transactions and balances (continued)

On 17 February 2021, the Company entered into a Term Loan Facility ("Term Loan") with Galloway, to the value of US\$ 500,000. The loan is interest-free, and repayable on the earlier of 17 February 2022 or upon the completion of a fundraise by the Company.

On 9 April 2021, Galloway advanced US\$ 60,000 to the Company for working capital purposes.

On 21 May 2021, the Company completed a private funding round. Following this and in line with the CLN and Term Loan agreements, balances due to Galloway under these agreements were settled, in full, by the issuance of 41,033,776 ordinary shares.

On 19 July 2021, the Company completed a successful listing on London AIM. Following this and in line with the Loan agreement, all balances due to Galloway were settled, in full, by the issuance of 7,584,753 ordinary shares.

Edgewater Associates Limited ("Edgewater")

During the year, Directors and Officers insurance was obtained through Edgewater, which is a 100% subsidiary of Manx Financial Group ("MFG"). James Mellon and Denham Eke are Directors of both the Company and MFG.

The premium payable on the policy was US\$ 45,139 (2021: US\$ 26,855), of which US\$ 13,646 was prepaid as at the period end (2021: US\$ 11,076).

18 Basic and diluted loss per share

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

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares, on the assumed conversion of all dilutive share options.

An adjustment for the dilutive effect of share options in the current year has not been reflected in the calculation of the diluted loss per share, as the effect would have been anti-dilutive, due the Company recognising a loss for the year.

	28 February 2022 US\$	28 February 2021 US\$
Loss for the year	(3,554,468)	(721,949)
	No.	No.
Weighted average number of ordinary shares in issue	124,499,956	64,842,835
Dilutive element of share options if exercised (note 15)	23,606,304	1,606,277
Diluted number of ordinary shares	148,106,260	66,449,112
Basic earnings per share (cents)	(2.855)	(1.113)
Diluted earnings per share (cents)	(2.855)	(1.113)

The earnings applied are the same for both basic and diluted earnings calculations per share as there are no dilutive effects to be applied.

Bradda Head Lithium Limited (previously called Bradda Head Holdings Limited)

Notes

forming part of the annual report consolidated financial statements for the year ended 28 February 2022 (continued)

19 Exploration commitments

The Group has certain obligations to expend minimum amounts on exploration works on mining tenements in order to retain an interest in them, which would be approximately US\$ 342,107 during the next 12 months. This includes annual fees in respect of licence renewals. These obligations may be varied from time to time, subject to approval and are expected to be filled in the normal course of exploration and development activities of the Company.

20 Subsequent events

Post year end, the Company raised a total of US\$12.9m from new and existing investors, issuing 73,195,560 new ordinary shares.