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East Star Resources Plc

("East Star" or the "Company")

Half Year Report for the Period Ended 31 May 2022

East Star Resources Plc (LSE:EST), the Kazakhstan-focused gold, rare earths and copper explorer, is pleased to present its interim results for the six-month period ended 31 May 2022.

Highlights

- Re-listed as a Kazakhstan-focused gold and copper explorer on 10 January 2022 following completion of the acquisition of Discovery Ventures Kazakhstan Limited ("DVK") and an oversubscribed fundraising of £3.1 million
- Alex Walker, CEO of DVK, appointed Director and CEO of the Company (based full time in Kazakhstan)
- Announced on 26 January and 16 May 2022 assay results from RC drilling in September 2021 on the Apmintas Licence in the Chu-Ili gold belt including a "discovery hole" returning 63m at 4.51 g/t Au from surface, including 19m @ 14.36 g/t from 44m and anomalous gold across all Eshkilitau occurrences, confirming a gold bearing system with a strike of more than 4km
- Announced on 3 February 2022 historic data which added a new target on the Apmintas Licence - Southern Shabdar - to the 2022 drill campaign
- Announced on 4 February 2022 the award of a diamond drilling contract for 5,000m of drilling in 2022 focused on the Chu-Ili Orogenic Gold Belt
- Announced on 7 March 2022 the completion of processing of 481km² of close spaced drone magnetics flown in September 2021 over the Dalny Licence resulting in 11 target areas prospective for gold mineralisation being identified

- Announced on 8 March 2022 historical drill results acquired over the Eshkilitau II target on the Apmintas Licence resulting in the target being added to the 2022 drill programme
- Announced on 13 April 2022 the completion of processing of 380km² of closed spaced drone magnetics flown between July and October 2021 over the Apmintas Licence resulting in 22 target areas prospective for gold mineralisation being identified
- Announced on 18 May 2022 a farm-in for up to 90% of the Talairyk Ionic Adsorption Clay (IAC) Heavy Rare Earth Element (HREE) project in the Kostanay region of Kazakhstan
 - o Low-cost and zero cash payment entry to a geologically de-risked IAC hosted HREE deposit

Post Period End

- Announced on 30 June 2022 high grade assay results from rock chip samples taken during geological surveys conducted over the Alatagyl target on the Dalny Licence
- Announced on 6 July 2022 the completion of 3,640.2-line km of helicopter electromagnetic survey conducted over the Rudny Altai volcanogenic massive sulphide ("VMS") belt licences
 - o Included 153.5-line km of 100m spaced infill survey over three target areas with particularly strong electromagnetic conductors
- Announced on 25 July 2022 the commencement of diamond drilling on the Apmintas Licence
- Announced on 8 August 2022 the award of an additional 134.7km² exploration licence at the Talairyk rare earths project, also prospective for Ionic Adsorption Clay (IAC) hosted heavy rare earth elements
- Announced on 15 August 2022 the award of three new licences on the Rudny Altai VMS belt, incorporating two historic operating copper-lead-zinc mines, one known deposit, and many historical mineral occurrences
- Announced on 18 August 2022 an interim drilling update on the Apmintas licence detailing the completion of four boreholes totalling 970 metres being drilled on the Novoe target. The boreholes showed wide intersections of quartz diorite containing interspersed quartz veining and sulphides with some more intense sections of alteration

Sandy Barblett, Non-executive Chairman, commented:

"Considering East Star re-listed just seven months ago, the pace and quality of progress in Kazakhstan has been exceptional and I would like to commend the executive team for their efforts. Being able to move this swiftly to secure new opportunities such as the rare earths project and additional VMS licences, or to oversee geophysical work such as the under-budget EM survey on the VMS licences, is precisely why the CEO is stationed in Kazakhstan giving the Company a genuine first-mover advantage and the ability to get things done. If you believe, as we do, in the extraordinary mineral exploration potential of Kazakhstan, there is no other pure-play listed explorer with boots on the ground through which to access this opportunity - this is an incredibly exciting period for the Company and our shareholders."

For further information visit the Company's website at www.eaststarplc.com, or contact:

East Star Resources Plc

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About East Star Resources Plc

East Star Resources is focused on the discovery and development of gold, rare earth, and copper deposits in Kazakhstan. With an initial nine licences covering 1,687 sq km in three mineral rich districts, East Star is undertaking an intensive exploration programme, applying modern geophysics to discover minerals in levels that were not previously explored. The Company also intends to further expand its licence portfolio in Kazakhstan. East Star's management are based permanently on the ground, supported by local expertise, and joint ventures with the state mining company.

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

Chairman's Statement

On 10 January 2022, East Star announced it had raised gross proceeds of £3.1 million by way of an oversubscribed placing and subscription and had been readmitted to the Official List of the London Stock Exchange by way of a Standard Listing following its acquisition of 100% of the share capital of Discovery Ventures Kazakhstan Limited ("DVK") (the "Acquisition"). As a result of the Acquisition, East Star owns 100% of DVK which was formed for the purpose of identifying and developing gold and base metals projects in prospective regions of Kazakhstan.

Kazakhstan has a rich mining history for gold and base metals but is relatively underexplored and has lacked modern exploration since independence from the Soviet Union in 1991. The Board believes the exploration and development opportunities offered by the Company's projects has the potential to generate significant value for shareholders.

The Company's strategy is built on three main pillars:

- Identify highly prospective exploration ground and brownfields projects in known mineral districts with demonstrated historical exploration success and limited application of modern exploration techniques
- Develop proven and out-of-the-box concepts for potential mineral targets and efficiently conduct exploration by application of state-of-the-art methods and equipment
- Partner with existing companies via joint venture or farm-in

Management have worked well with our partners and stakeholders in Kazakhstan. Indeed, on 20 April 2022 the Company announced that all four exploration licences under the joint venture with Kazakhstan national mining company Tau-Ken Samruk were transferred to newly established joint venture companies within the Astana International Financial Centre (AIFC) owned 80% by DVK and 20% by Tau-Ken Samruk.

Chu-Ili Orogenic Gold Belt Licences - Apmintas and Dalny

On 26 January 2022, the Company announced the first batch of assay results from reconnaissance Reverse Circulation (RC) drilling undertaken in September 2021 on the Apmintas Licence. The results showed outstanding high-grade intersections including a "discovery hole" at the first drill target at Novoe returning 63m at 4.51 g/t Au from surface including 19m at 14.36 g/t from 44m. On 16 May 2022, the Company announced further assay results from RC drilling in September 2021 on the Apmintas Licence. Highlights included 14m at 2.54 g/t Au from 40m on the Eshkilitau II target. Anomalous gold was recorded across all Eshkilitau occurrences, confirming a gold bearing system with a strike of more than 4km.

This and other data were processed to determine strike extent and direction and are being used in planning the diamond drilling exploration which commenced on 25 July 2022 ("2022 Drill Campaign").

On 3 February 2022, the Company announced the acquisition of additional historic data which added a new

target - Southern Shabdar - to the 2022 Drill Campaign. Historical results included:

- 24.9m @ 2.86 g/t Au
- 8.2m @ 13.0 g/t Au
- 5m @ 4.89 g/t Au from 53m
- 1m @ 24.8 g/t Au from 15m and 2m @ 39.3 g/t Au from 28m; and
- 2m @ 39 g/t Au from 275m downhole

On 7 March 2022, the Company announced the completion of processing of 481 square kilometres of close spaced drone magnetics flown in September 2021 over the Dalny Licence. This has resulted in 11 target areas prospective for gold mineralisation being identified along structurally prospective sections of the first-order, deep-crustal faults totalling more than 50km of strike.

On 8 March 2022, the Company announced historical drill results acquired over the Eshkilitau II target on the Apmintas Licence. Based on the Company's analysis, Eshkilitau II was added as a target for the 2022 Drill Campaign. Historical results included:

- 1m @ 7.86 g/t Au from 27m
- 1m @ 7.00 g/t Au from 5m
- 2.8m @ 4.67 g/t Au from 19m
- 1m @ 4.62 g/t Au from 25m
- 4m @ 2.04 g/t Au from 47m and 1.3m @ 8.2 g/t from 122.7m
- 6m @ 1.6 g/t from 61m
- 2m @ 28.8 g/t Au from 196m; and
- 7m @ 1.34 g/t Au from 37m and 1m @ 13.61 g/t Au from 53m

On 13 April 2022, the Company announced the completion of processing of 380km² of close spaced drone magnetics flown between July and October 2021 over the Apmintas Licence. Highlights included:

- 22 targets highlighted for follow up work - most of which are under 10-30m of cover
- Majority of targets represent structural settings for classic orogenic gold mineralisation including duplex structures, flexures and step-over zones along second and third order structures
- 9 targets with historical gold occurrences including Novoe, Southern Shabdar and Eshkilitau II with previously announced high grade gold intersections from drilling
- Another 9 targets have existing historical geochemical anomalies of known gold pathfinder elements including arsenic, antimony, bismuth and copper

On 30 June 2022, after the period end, the Company announced high grade assay results from rock chip samples taken during geological surveys over the Alatagyl target on the Dalny Licence.

The 2022 Drill Campaign got underway on 25 July 2022 and aims to extend past intersections and grades along strike and at depth, with the potential to discover economic deposits from exploration of only a small part of the Apmintas Licence. By using diamond core, work can also be undertaken on the mineralogy and metallurgy including conducting 'gravity recovered gold' testing to begin establishing a processing route for eventual production.

On 18 August 2022, the Company announced an interim drilling update on the Apmintas licence detailing the completion of four boreholes totalling 970 metres being drilled on the Novoe target. The boreholes showed wide intersections of quartz diorite containing interspersed quartz veining and sulphides with some more intense sections of alteration.

Rudny Altai VMS Licences

On 25 May 2022, the Company announced the commencement of a helicopter electromagnetic ("HEM") survey on the Company's Rudny Altai volcanogenic massive sulphide ("VMS") licences in Eastern Kazakhstan. The survey was completed on 6 July 2022, with data processing and technical review and targeting currently underway. The execution of the survey was excellent, with the survey completing faster, and at a significantly lower cost, than originally budgeted. The results from the survey are expected to provide East Star with some immediately drill-ready targets and targets requiring further field and geophysical work prior to drilling.

It is expected that these targets will be identified by the end of 2022 with initial drilling to be conducted during the field season of 2023.

On 15 August 2022, after the period end, the Company announced the award of three new licences on the Rudny Altai VMS belt, incorporating two historic operating copper-lead-zinc mines, one known deposit, and many historical mineral occurrences.

We're extremely excited by these licences as the grades of mines in the region could be considered world class and the infrastructure for development including labour, rail, road, power, water, processing facilities and smelters are all within the very near vicinity.

Talairyk Ionic Adsorption Clay (IAC) Heavy Rare Earth Elements (HREE) Project

On 18 May 2022, the Company announced a farm-in to the Talairyk Licence - an IAC Heavy Rare Earth Element project in the Kostanay region of Kazakhstan. The Talairyk Licence is 10km² and represents a low-cost entry to a geologically de-risked IAC hosted HREE deposit, with 19,962 tonnes of contained Total Rare Earth Oxides (TREO) including 4,300 tonnes of yttrium oxide at an average of 7.5m from surface (1994 resource model). The deposit bears the same geochemical signature as the IACs of South China from where most of the world's HREEs are currently supplied. There is a database which includes 128 core holes and 61 auger holes for 3,755 samples. The Company's JV partner is Phoenix Mining whose team includes a senior mining executive and a leading lawyer in Kazakhstan.

This farm in represents why East Star is exploring in Kazakhstan. There are very few places in the world where a company can find a project of this quality and potential and with this amount of data that has not undergone any work since 1994.

After period end, on 8 August 2022, the Company announced the award of a new exploration licence comprising 59 blocks ("Talairyk 1") which now forms part of the Talairyk HREE Project.

Talairyk 1 covers 134.7km² and is contiguous with the 10km² Talairyk Licence. Talairyk 1 will be included in the farm-in agreement with Phoenix Mining, with East Star expenditure on Talairyk 1 also contributing towards the agreed earn-in milestones.

Key East Star Financial Indicators

- Cash and cash equivalents at period end: £3.2 million
- Loss before taxation for the period: £2.1 million (includes £1.6 million share based payments (non-cash) on acquisition of DVK)
- Net cash flow for the period of £1.9 million
- Net assets of £4.5 million

Summary

I would like to finish by thanking Alex Walker and his senior management team based in Almaty for their excellent progress, as well as my fellow Board members and our shareholders for their support as we travel this exciting journey of building this unique opportunity into a profitable company.

Responsibility Statement

We confirm that to the best of our knowledge that the Interim Report:

- has been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting;
- gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Company;
- includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being the information required on related party transactions.

The Interim Report was approved by the Board of Directors and the above responsibility statement was signed on 22 August 2022.

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Sandy Barblett - Chairman

EAST STAR RESOURCES PLC - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTH PERIOD ENDING 31 MAY 2022

		Unaudited	Unaudited	Unaudited
		Period ending	Period ending	Year ended 31
		31 May	31 May	December
		2022	2021	2021
Note		£'000	£'000	£'000
Continuing Operations				
Administrative expenses		(399)	(74)	(80)
Operating loss		(399)	(74)	(80)
Finance Income		(93)	-	-
Reverse acquisition expense	7	(1,626)	-	-
Loss before taxation	4	(2,118)	(74)	(80)
Other comprehensive income		91	2	(4)
Total comprehensive loss for the year attributable to shareholders from continuing operations		(2,027)	(72)	(84)
Basic & dilutive earnings per share - (£ pence)		(1.435)	(168.412)	(133.194)

The notes form an integral part of the Condensed Consolidated Interim Financial Statements

EAST STAR RESOURCES PLC - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2022

		Unaudited As At 31 May 2022 £'000	Unaudited As At 31 May 2021 £'000	Unaudited As At 31 December 2021 £'000
	Note			
NON-CURRENT ASSETS				
Fixed assets		26	22	25
Intangibles	6	1,039	-	-
TOTAL NON-CURRENT ASSETS		1,065	22	25
CURRENT ASSETS				
Cash and cash equivalents		3,205	154	16
Trade and other receivables		327	89	941
Other current assets		-	95	72
TOTAL CURRENT ASSETS		3,532	338	1,029
TOTAL ASSETS		4,597	360	1,054
EQUITY				
Share capital	9	1,823	51	51
Share premium	9	5,905	132	132
Share based payment reserve	10	106	-	-
Share capital to be issued	7	3,750	-	-
Foreign exchange reserve		93	(2)	2
Reverse acquisition reserve	7	(4,932)	-	-
Retained earnings		(2,198)	(75)	(80)
Non controlling interest		(0.03)	-	-
TOTAL EQUITY		4,547	106	105
NON-CURRENT LIABILITIES				
Borrowings		-	235	863
TOTAL NON-CURRENT LIABILITIES		-	235	863
CURRENT LIABILITIES				
Trade and other payables		50	19	86
TOTAL CURRENT LIABILITIES		50	19	86
TOTAL LIABILITIES		50	254	949
TOTAL EQUITY AND LIABILITIES		4,597	360	1,054

The notes form an integral part of the Condensed Consolidated Interim Financial Statements.

The Condensed Consolidated Financial Statements were approved and authorized by the Board of Directors on 22 August 2022:

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EAST STAR RESOURCES PLC - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTH PERIOD ENDING 31 MAY 2022

	Share Capital	Share Premium	Share based payment reserve	Foreign exchange reserve	Reverse acquisition reserve	Share Capital to be issued	Retained Earnings	NCI	Total Equity
£'000									
Balance at 1 December 2020	0.07	-	-	-	-	-	(0.6)	-	(0.5)
Loss for period					-	-	(74)	-	(74)
Other comprehensive income	-	-		(2)	-	-	-	-	(2)
Total comprehensive income for year	-	-		(2)	-	-	(74)	-	(76)
Transactions with owners in own capacity									
Ordinary shares issued	51	132	-	-	-	-		-	183
Transactions with owners in own capacity	51	132	-	-	-	-		-	183
Balance at 31 May 2021	51	132		(2)	-	-	(75)	-	106
Loss for period	-	-	-		-	-	(5)	-	(5)
Other comprehensive income	-	-	-	4	-	-	-	-	4
Total comprehensive income for year	-	-	-	4	-	-	(5)	-	(1)
Balance at 31 December 2021	51	132		2	-	-	(80)	-	105
Loss for period	-	-	-	-	-	-	(2,118)	-	(2,118)
Other comprehensive income	-	-	-	91	-	-	-	-	91
Total comprehensive income for year	-	-	-	91	-	-	(2,118)	-	(2,027)
Transactions with owners in own capacity									
Ordinary shares issued	1,373	4,210		-	-	-	-	-	5,583
Broker warrants	-	-	58	-	-	-	-	-	58

issued									
Employee options issued	-	-	48	-	-	-	-	-	48
Share issue costs	-	(105)	-	-	-	-	-	-	(105)
Recognition of PLC equity at acquisition date	-	-	-	-	(473)	-	-	-	(473)
Remove share capital of DVK	(51)	(132)	-	-	183	-	-	-	-
Issue of shares for acquisition of subsidiary	450	1,800	-	-	(6,268)	3,750	-	-	(268)
Reverse acquisition of DVK	-	-	-	-	1,626	-	-	-	1,358
Account for NCI on incorporation of new entities	-	-	-	-	-	-	-	(0.03)	(0.03)
Transactions with owners in own capacity	1,772	5,772	106	-	(4,932)	3,750	-	(0.03)	6,562
Balance at 31 May 2022	1,823	5,905	106	93	(4,932)	3,750	(2,198)	(0.03)	4,547

EAST STAR RESOURCES PLC - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASHFLOWS
FOR THE 6 MONTH PERIOD ENDING 31 MAY 2022

	Unaudited 6 month period ended 31 May 2022 £'000	Unaudited 6 month period ended 31 May 2021 £'000
Cash flow from operating activities		
Loss for the financial year	(2,118)	(74)
<i>Adjustments for:</i>		
Share based payment on reverse acquisition	1,626	-
Share based payment reserves	82	-
Foreign exchange	126	2
Listing expenses settled in shares	18	-
<i>Changes in working capital:</i>		
Decrease / (increase) in trade and other receivables	346	(189)
Increase / (decrease) in trade and other payables	(158)	19
Net cash outflow from operating activities	(78)	(242)
Cash flows from investing activities		
Investment in fixed assets	(0.8)	(22)
Spend on exploration assets	(1,039)	-
Net cash flow from investing activities	(1,040)	(22)
Cash flows from financing activities		
Proceeds from Issue of Shares	3,100	178

Share Issue Costs	(105)	-
Borrowings	-	222
Net cash flow from financing activities	2,995	400
Net increase in cash and cash equivalents	1,877	136
Cash and cash equivalents at beginning of the period	1,353	1
Foreign exchange impact on cash	(25)	17
Cash and cash equivalents at end of the period	3,205	154

EAST STAR RESOURCES PLC - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTH PERIOD ENDING 31 MAY 2022

1 General information

East Star Resources Plc was incorporated under the Companies Act 2006 on 17 November 2020 in England and Wales under the name Cawmed Resources Limited and remains domiciled there with Registered Number 13025608. The Company subsequently changed its name to East Star Resources Limited on 27 January 2021 and on 3rd March 2021 re-registered as a plc. The following condensed consolidated interim financial statements are consolidated to include the Company and all its subsidiaries ("Group").

The address of its registered office is Ecclestone Yards, 25 Ecclestone Place, London SW1W 9NF, United Kingdom.

The principal activity of the Group is to explore opportunities in the natural resources sector specifically in relation to gold and copper extraction. The Group has taken significant steps in the period with the acquisition of Discovery Ventures Kazakhstan ("DVK"), a Kazakhstan based subsidiary which jointly holds multiple exploration licenses.

The Company was suspended from trading on 19th July 2021 whilst managing a reverse takeover transaction and was then re-admitted to trading on 10th January 2022.

2 Accounting policies

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users, that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

2.1 Basis of preparation

The condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

The interim financial statements have been prepared on the historical cost basis, except for assets and liabilities measured at fair value through profit and loss, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. All amounts have been rounded to the nearest pound, unless otherwise stated.

The interim financial statements have not been audited but the Company has engaged the Company's auditors to perform a limited scope review in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The interim financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures have been prepared using applicable accounting policies and practices consistent with those adopted in the audited annual financial statements for the year ended 30 November 2021.

The interim financial statements are for the six months to 31 May 2022, being six months from the financial year end for the Company being 30 November 2021. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the period ended 30 November 2021. The Company has prepared the interim financial statements using reverse acquisition methodology and therefore has presented the comparatives for the accounting acquirer (legal subsidiary - DVK). As per IAS 34 the comparative data for the comparable year-to-date period has been presented as well as the year-to-date figures for the immediately preceding financial year being 31 December 2021.

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency of the parent company, East Star Resources is Pounds Sterling (£) as this is the currency that finance is raised in. All subsidiaries are based in Kazakhstan and the functional currencies of these subsidiaries is Kazakhstan Tenge. All subsidiaries are required to report in United States Dollars (\$) and this is the presentational currency of all subsidiaries. The presentational currency of the Group is Pounds Sterling (£).

The business is not considered to be seasonal in nature.

New standards, amendments and interpretations adopted by the Group

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

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

The standards and interpretations that are relevant to the Group, issued, but not yet effective, up to the date of these interim Financial Statements have been evaluated by the Directors and they do not consider that there will be a material impact of transition on the financial statements.

2.2 Principal risks and uncertainties

During the period the Company successfully completed the acquisition of DVK and the incorporation of two new subsidiaries all of which are based in Kazakhstan. Due to these new operating jurisdictions the principal risks pertaining to the Company and its business operations have changed materially.

An outline of the new risks attributable to the Group are listed below:

i) Jurisdictional & Political Risk

The Company is now operating in Kazakhstan and while the country has been stable for a sustained period it did experience some political unrest in early 2022. This has since been resolved and political stability has returned to the nation with the operations of the Company being unaffected. The level of risk is constantly monitored by the CEO who is based in country allowing for an appropriate and timely response to any change in the risk exposure.

ii) Operational Risk

The Company is now actively pursuing exploration activities in Kazakhstan. As well as the general risks involved with exploration activities the Company holds exploration licenses jointly with Tau Ken Samruk which is the holding company for the Kazakh government's stakes in mining operations. Dealing with multiple governments across multiple jurisdictions is a new risk for the Company however the Company is comfortable that the team of advisors in place has the requisite skills to deal with any issues that may arise.

iii) Currency Risk

Post acquisition of DVK a significant proportion of the Group's operational costs will be denominated in Kazakhstan's tenge however market prices for commodities that will hopefully be extracted will be determined in US Dollars. Consequently changes in the exchange rates of these currencies could positively or negatively impact cash flows. As the Company has not begun to extract and sell commodities any potential impact is limited currently to expenditure and the Directors believe that this level of risk is acceptable to the Company at this time.

2.3 Leases

As Per IFRS 16 leases are required to be recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use unless the Group chooses to utilize an exemption. The Group entered into two leases on 1 March 2022 and will be treating the leases on a straight line basis as an expense in the profit or loss as per the short-term lease exemption for leases with terms of 12 months or less.

2.4 Going concern

The directors have assessed the Company's ability to adopt the going concern basis of accounting and consider the adoption to be appropriate in the preparation of the interim financial statements. Currently the Company has cash and cash equivalents of £3,205,489 and its only major committed expenditure relates to minimum spend commitments on licenses which equates to around £450,000 for the upcoming year. This combined with a current average cash burn rate across the group of around £35,000/month supports the fact that the Company will not have any liquidity issues in the near future.

Management have prepared in depth budgets and cash flow analysis to support their assumptions and hence are confident in the adoption of the going concern basis for the Company.

2.5 Risks and uncertainties

The Directors continuously assess and monitor the key risks of the business. As a result of the acquisition of DVK and the Group now actively pursuing exploration activities the risk profile of the Group has changed materially. This is addressed in the Chairman's Statement with new

and pertinent risks highlighted. Overall the Board feels that the team and risk mitigation factors that are in place are sufficient to reasonably deal with any risks that may arise.

3 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

- i) Share Based Payments: In the period the Company issued warrants and the directors have applied the Black-Scholes pricing model to assess the costs associated with the share-based payments. These have been valued using the same methodology as warrants valued and audited in previous periods.
- ii) Reverse acquisition: During the period the Company acquired the entire share capital of DVK. The board of directors determined that the transaction constituted a reverse takeover but not a business combination per the criteria detailed in IFRS 3. For more detail on the transaction refer to note 7.
- iii) Intangible assets: the Group has begun to allocate costs to the various licenses held. These costs have only recently been incurred and there are no indicators present to suggest evidence of impairment. The directors have assessed that they are unlikely to be impaired at this stage but will continue to assess whether indicators arise in the future and performing testing if required.

4 Segment reporting

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the Group. Management has determined the operating segments based on the reports reviewed by the Board.

The Board considers that during the six month period ended 31 May 2022, the Group operated in two business segments, the Corporate segment based in the United Kingdom ("Corporate"), and the exploration activities based in Kazakhstan ("Exploration"). Contributions per segment to loss before taxation are detailed below:

2022	Corporate £'000	Exploration £'000	Group £'000
Consultancy expense	(88)	(52)	(140)
Professional fees	(24)	-	(24)
Administrative expenses	(138)	(14)	(152)
Salary expense	(49)	-	(49)
Finance cost	-	(93)	(93)

Exploration costs	-	-	-
Bank charges	-	-	-
Foreign Exchange	(3)	(31)	(34)
Other Expenses	-	-	-
Share based payments (Note 7)	(1,626)	-	(1,626)
	(1,928)	(190)	(2,118)

5 Earnings per share

The calculation for basic and diluted earnings per ordinary share is based on the total comprehensive loss after income tax attributable to equity shareholders for the period and is as follows:

	Unaudited 6 month period ended 31 May 2022	Unaudited 6 month period ended 31 May 2021	Unaudited Year ended 31 December 2021
Net loss for the period attributable to ordinary equity holders for continuing operations (£'000)	(2,027)	(72)	(84)
Weighted average number of ordinary shares in issue	141,193,801	42,550	62,650
Basic and diluted earnings per share for continuing operations (pence)	(1.435)	(168.412)	(133.194)

Earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period. A loss was made during the period and therefore basic EPS is equal to the diluted EPS.

6 Intangibles

The intangible assets held by the Group increased as a result of spending on exploration assets

	Total £'000
Cost and carrying amount	
At 1 December 2021	-
<i>Additions:</i>	
Additions to exploration assets	1,039
As at 31 May 2022	1,039

In the period the Group has begun allocating costs against two of its four exploration licenses (Apmintas & Dalny) as it begins preparation for exploration activities. Per IFRS 6 entities are required to perform impairment testing on exploration and evaluation assets when the circumstances indicate that there may be evidence of impairment. To this stage there have been no such indicators of impairment and hence the directors have not performed substantial impairment testing but will continue to monitor and test if required.

7 Reverse acquisition

1. Discovery Ventures Kazakhstan ("DVK")

On 10 January 2022, the Company acquired, through an issue of 45,000,000 consideration shares the entire share capital of DVK, whose principal activity is to undertake exploration activities relating to gold and copper

mineral resources in Kazakhstan.

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

The shareholders of DVK acquired a 32.73% interest in the Company representing a controlling interest. The transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of the Main Market LSE Listing, acquiring DVK and raising equity finance to provide the required funding for the operations of the acquisition the directors did not consider this to meet the definition of a business in accordance with IFRS 3.

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

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

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

On 10 January 2022, the Company issued 45,000,000 ordinary shares to acquire the entire share capital of DVK. On the same date, the Company was readmitted to the Main Market of the LSE, after completing its second placing round with a placing share price of £0.05 and therefore the Company has valued the investment in DVK at £6,000,000. (This figure includes both the initial consideration mentioned above as well as the contingent consideration on completion milestones - Note 11).

Because the legal subsidiary, DVK, was treated on consolidation as the accounting acquirer and the legal Parent Company, East Star, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by DVK was calculated at £3,372,698 based on an assessment of the purchase consideration for a 100% holding of East Star of 69,540,164 shares at a weighted average placing price of £0.0485 per share (being the share price of East Star immediately before the acquisition).

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

	£'000
Cash and cash equivalents	1,835
Convertible loan notes	609
Other receivables	151
Share capital to issue	(694)
Trade creditors	(148)
Other payables	(6)
Net assets	1,747

The difference between the deemed cost (£3,372,698) and the fair value of the net assets assumed above of £1,747,053 resulted in £1,625,644 being expensed within "reverse acquisition expenses" in accordance with IFRS 2, Share Based Payments, reflecting the economic cost to DVK shareholders of acquiring a quoted entity.

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

	£'000
Pre-acquisition equity ¹	(473)
DVK share capital at acquisition ²	183
Investment in DVK ³	(6,268)
Reverse acquisition expense ⁴	1,626
	(4,932)

1. Recognition of pre-acquisition equity of East Star as at 10 January 2022.
2. DVK had issued share capital and share premium of £182,728. As these financial statements present the capital structure of the legal parent entity, the equity of DVK is eliminated.
3. The value of the shares issued by the Company in exchange for the entire share capital of DVK. The above entry is required to eliminate the balance sheet impact of this transaction.
 - I. Initial consideration: 45 million shares at £0.05 (£2,250,000)
 - II. Contingent consideration: 75 million shares at £0.05 (£3,750,000)
 - III. Convertible loan notes settled on behalf of DVK (£267,500)
4. The reverse acquisition expense represents the difference between the value of the equity issued by the Company, and the deemed consideration given by DVK to acquire the Company.

8 Investments

i) Discovery Ventures Kazakhstan Ltd

As detailed above on 10 January 2022 the Company acquired the entire share capital of DVK. The Company issued 45,000,000 shares as consideration for 100% of the DVK share capital.

ii) Chu Ili Resources Ltd

On the 9th February 2022 Chu Ili Resources Ltd ("Chu Ili") was incorporated in accordance with the Constitutional Law of the Republic of Kazakhstan under the identification number 220240900118. On incorporation the shareholdings of Chu Ili were split 80% DVK and 20% Tau-Ken Samruk JSC ("TKS") which is the holding company for the Kazakh government's stake in mineral mining operations. The share capital and total net assets of Chu Ili on incorporation was \$100.

iii) Rudny Resources Ltd

On the 9th February 2022 Rudny Resources Ltd ("Rudny") was incorporated in accordance with the Constitutional Law of the Republic of Kazakhstan under the identification number 220240900138. On incorporation the shareholdings of Rudny were split 80% DVK and 20% TKS. The share capital and total net assets of Rudny on incorporation was \$100.

9 Share capital and share premium

	Ordinary Shares #	Share Capital £'000	Share Premium £'000	Total £'000
As at 1 December 2021	69,540,154	695	1,502	2,197
Issue of ordinary shares ¹	112,710,000	1,128	4,508	5,635
Share issue costs	-	-	(105)	(105)
At 31 May 2022	182,250,154	1,823	5,905	7,728

¹ On 10 January 2022 the Company completed the acquisition of DVK and re-admission to the London Stock Exchange. As part of this reverse takeover transaction the Company issued 112,710,000 shares at a subscription price of £0.05 to raise £3.1million. The remaining shares were issued to the shareholders of DVK as part of the consideration for the acquisition (see Note 7).

10 Share based payments reserve

The following warrants over ordinary shares have been granted by the Company and are outstanding at period end:

	As at 31 May 2022 £'000
Advisor warrants issued	58
Employee options issued	48
Total	106

1) Warrants

	Number of Warrants	Exercise Price	Expiry date
On incorporation			
Issued on 16 March 2021	6,000,000	£0.05	4 May 2023
Issued on 4 May 2021	1,200,000	£0.05	4 May 2024
Issued on 10 January 2022 ¹	5,467,505	£0.05	10 January 2027
Issued on 10 January 2022 ²	2,146,000	£0.05	10 January 2025
At 31 May 2022	14,813,505	£0.05	

¹ On 10 January 5,467,505 warrants were issued to advisors and have been fair valued at £26,322 in accordance with IFRS 2 at the fair value of the services received. This amount is attributable to the cost of re-admission to the LSE and therefore has been accounted for in the Share based payments reserve.

² On 10 January 2,146,000 warrants were issued to the Company's broker Peterhouse Capital and have been fair valued at £7,935 in accordance with IFRS 2 at the fair value of the services received. This amount is

attributable to the cost of re-admission to the LSE and therefore has been accounted for in the share based payments reserve.

2. Options

	Number of Options	Exercise Price	Expiry date
On incorporation			
Issued on 13 December 2021 ¹	11,250,000	£0.05	13 December 2026
At 31 May 2022	11,250,000	£0.05	

¹ On 13 December 2021 11,250,000 employee options were granted. These options have an exercise price of £0.05 and expire 5 years from the grant date. The option vesting details are listed below:

Vesting Event	Trigger for Vesting	Number of options vested on date of vesting
1	Six months from the date of RTO admission	One third of the total options issued
2	Share price traded at £0.075 for at least 5 consecutive days	One third of the total options issued
3	Share price traded at £0.10 for at least 5 consecutive days	All remaining unvested options not having vested following vesting event 1 & 2

11 Financial commitments & contingent liabilities

Exploration licenses minimum spend commitments

The four licenses held by the Group have minimum spend commitments. These are detailed below:

License area	Commencement Date	Finish Date	Owner	Number of blocks	Annual Minimum Expenditure (£'000)
Apmintas	8/26/2020	8/25/2026	Chu-ili Resources	110	82
Dalny	6/27/2020	6/26/2026	Chu-ili Resources	196	141
Novo 2	10/7/2020	10/6/2026	Rudny Resources	148	108
Novo 1	11/5/2020	11/4/2026	Rudny Resources	159	115

Leases

The Company entered into the following leases as per the terms below:

- i) Rudny Resources - Working Space Office
12 Month term commencing on 1 March 2022
Total outlay: 132,000 KZT (Approx £230 GBP)
- ii) Chu Ili Resources - Working Space Office
12 Month term commencing on 1 March 2022
Total outlay: 132,000 KZT (Approx £230 GBP)

Contingent Consideration on Acquisition of DVK

In addition to the initial consideration exchanged the sellers of DVK shall have the right to receive a further 75 million performance shares based on the completion of the following performance milestone:

- Confirmation of a mineral resource on one of the licenses of at least one million ounces of gold equivalent at an average grade of at least two grammes per ton of gold equivalent as defined by an independent professional firm appointed by the Company to either JORC Code or NI 43-101 classification standards

12 Related party transactions

Equity issued to Directors & Director related entities

As a result of the acquisition of DVK 19,124,522 shares were issued to Director Alex Walker.

As part of the placement accompanying the re-admission of the Company to the London Stock Exchange directors of the Company were issued with the following shares:

- | | |
|--------------------|---------|
| - Alex Walker: | 900,000 |
| - Anthony Eastman: | 100,000 |
| - David Minchen: | 200,000 |
| - Sandy Barblett: | 400,000 |

In addition Orana Corporate LLP of which Anthony Eastman is a director was issued 5,816,005 warrants in relation to the admission as consideration for corporate finance services.

Provision of services

During the period, £99,640 was paid to Orana Corporate LLP. £26,500 was incurred for the provision of administrative and corporate accounting services and £73,140 was incurred for corporate finance services related to the re-admission. Anthony Eastman is a director of the Company and a partner of Orana Corporate LLP.

Other than these there were no other related party transactions.

13 Events subsequent to period end

There were no material events subsequent to period end that require disclosure.

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